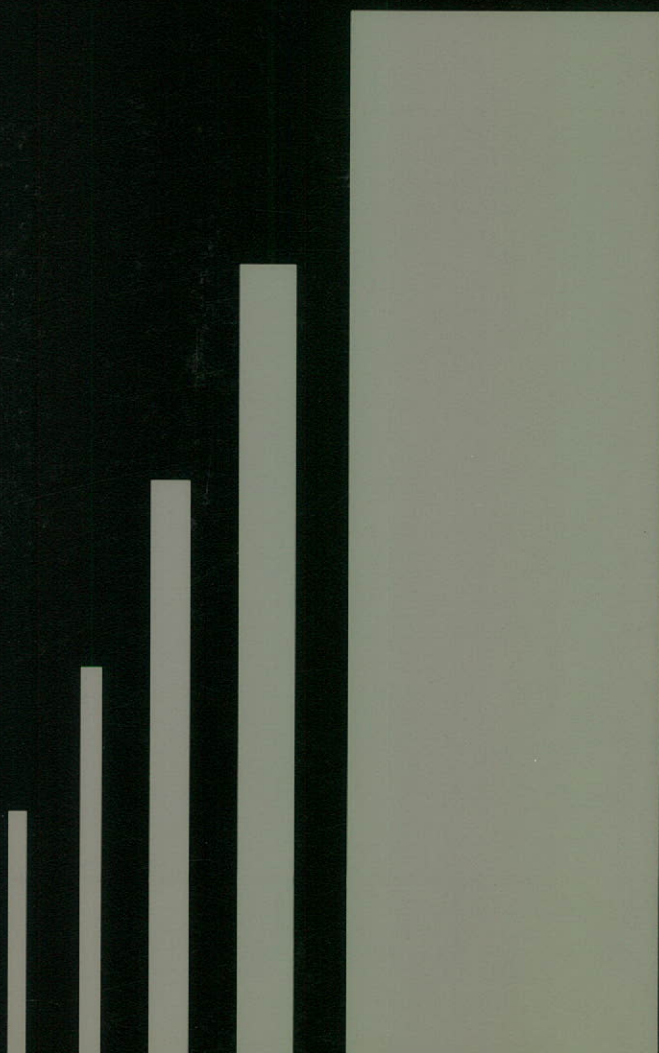


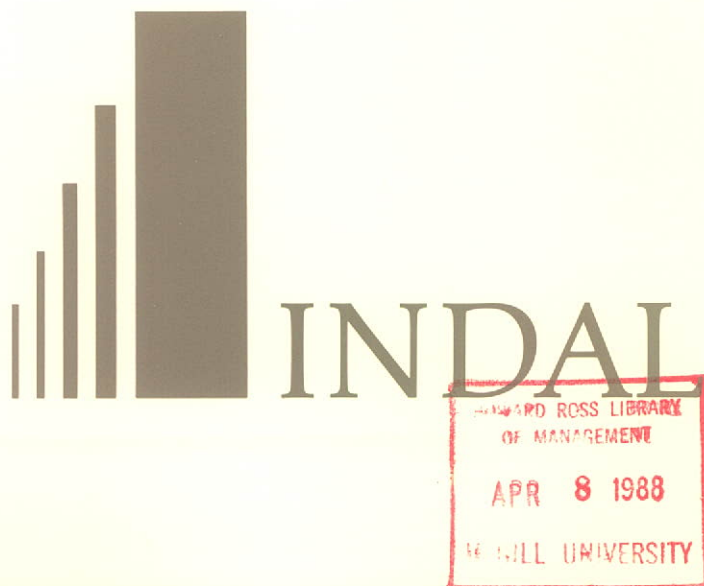
Indal Limited 1987 Annual Report



Indal Limited is a diversified industrial company with 32 operating divisions and subsidiaries in Canada and the United States. Founded in 1964 as an extruder of aluminum and a producer of cold rollformed metal products, Indal currently employs 9,000 people at 70 locations in North America.

Indal divisions and subsidiaries recycle and extrude aluminum; cold rollform and stamp aluminum and steel; die cast aluminum and zinc; temper, laminate, bend, coat and insulate glass; and fabricate a broad range of aluminum, glass, steel, vinyl, wood and zinc products. The output of Indal's plants is sold principally to the following markets: residential construction, which includes new housing and home improvement; non-residential construction; and industrial, which includes aluminum extrusions, auto parts and design engineering.

61.6 % of the common shares of Indal Limited are beneficially owned by R.T.Z. Pillar Limited, London, England, a wholly-owned subsidiary of The RTZ Corporation PLC, a world-wide mining and industrial company. The balance is held by institutional and individual investors, principally in Canada.



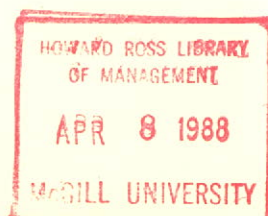


Indal Limited 1987 Annual Report



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Highlights of the year

ended December 31, 1987

Operating

- Two new aluminum extrusion plants — one in Ontario and another in Georgia — and a new auto parts plant in Ontario, costing a total of \$55 million, went into production during the year.
- Construction of two specialty glass processing plants costing a total of \$75 million — one in Ontario and another in Georgia — began during the year.
- The Company made a major acquisition — acquiring 80 % of Season-All Industries, Inc. in the United States for \$30 million.
- Peachtree Doors in the United States increased sales, earnings and market share for the fifth consecutive year.
- To achieve greater operating efficiencies, the Company's rollforming operations in Eastern and Western Canada were combined to form Indal Metals Division at the end of the year; and the Company's residential operations in Western Canada were merged into Indal Building Products Division, which now operates from Manitoba to British Columbia.

Financial

- Sales of \$1.09 billion and net earnings of \$50.5 million were the highest in the Company's history.
- The percentage return of net earnings on average common shareholders' equity was 17.7 %.
- Common shareholders' equity increased by \$18.5 million to \$294 million.
- Expenditures on fixed assets, including a \$6.9 million fixed asset investment in a joint-venture, totalled \$92.5 million — the largest amount spent on capital expenditures in a single year in the Company's history.
- For the fifth consecutive year, working capital declined as a percentage of sales, and, at 16.9 %, was at its lowest level ever.

Results of the year

ended December 31, 1987

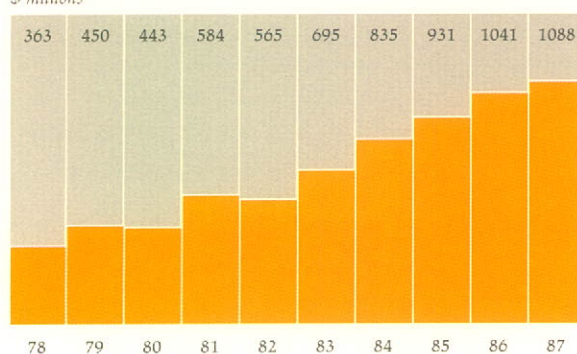
Indal Limited

\$ millions except per share information

	1987	1986	% change
Operating results			
Sales	\$1,087.7	\$1,041.2	+ 4.5 %
Gross profit	269.5	268.0	+ 0.6 %
Percentage gross profit	24.8 %	25.7 %	
Earnings before income taxes	88.5	90.9	- 2.6 %
Earnings before income taxes as a percentage of sales	8.1 %	8.7 %	
Net earnings	50.5	49.2	+ 2.6 %
Financial position			
Common shareholders' equity	294.0	275.5	+ 6.7 %
Net borrowings	146.7	62.7	+ 134.0 %
Total funds employed	479.4	369.2	+ 29.8 %
Net borrowings as a percentage of total funds employed	30.6 %	17.0 %	
Average working capital as a percentage of sales	16.9 %	17.2 %	
Percentage return of earnings before interest and income taxes on average total funds employed	23.2 %	27.0 %	
Percentage return of net earnings on average common shareholders' equity	17.7 %	18.8 %	
Results and financial position per share			
Earnings per share	\$1.03	\$1.01	+ 2.0 %
Dividends per share	0.40	0.40	-
Book value per share	6.00	5.62	+ 6.8 %

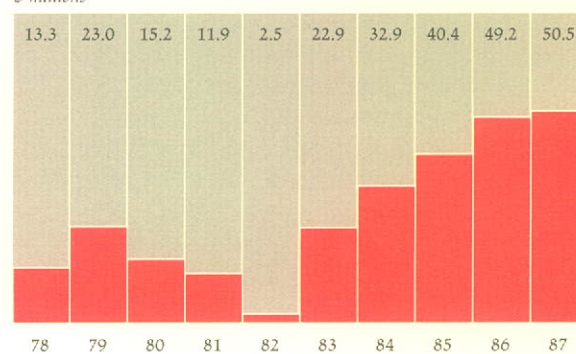
Sales

\$ millions



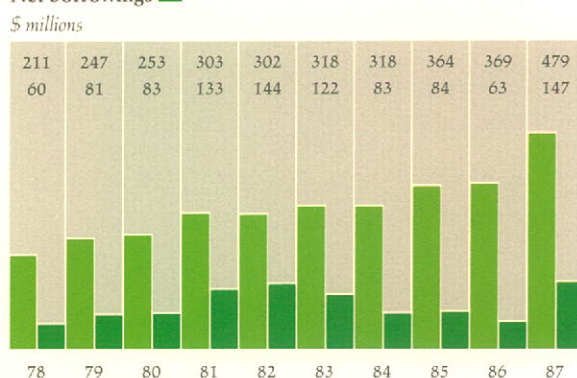
Net earnings

\$ millions



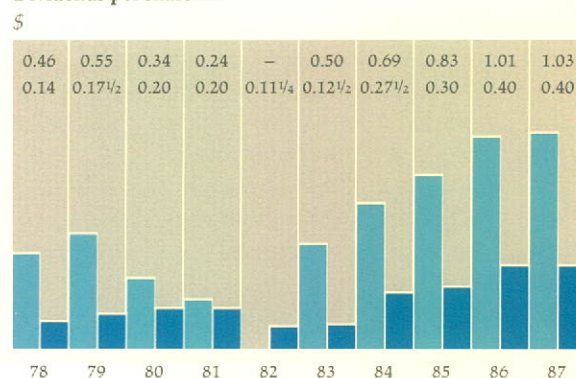
Total funds employed

\$ millions



Earnings per share

\$



Report to the shareholders

Review of 1987

–Results

Your Company's sales increased from \$1.04 billion to \$1.09 billion in 1987 and net earnings increased from \$49.2 million (\$1.01 per share) to \$50.5 million (\$1.03 per share). The return on shareholders' equity in 1987 was 17.7% compared with 18.8% in 1986. Over the past four years the return on shareholders' equity has also averaged 17.7%.

–The economy

Economic growth in Canada, at 3.8%, was much better than expected at the beginning of 1987 and also better than the 3.3% recorded in 1986. Housing starts increased by 23%, contributing significantly to the growth in the economy. Despite strong consumer demand, inflation in Canada increased only slightly from 4.1% in 1986 to 4.4% in 1987.

In the United States growth was 2.9% compared with 2.7% in 1986. Housing starts, however, declined by 10% and car and truck production by 5% as the current economic cycle matured. The rate of inflation in 1987 was 3.7% compared with 1.9% in 1986.

Interest rates in both countries remained relatively low during 1987.

–Indal's markets and operations

Sales and earnings from residential construction products in Canada were at record levels in 1987. Canadian housing starts reached their highest point since 1978 and operations supplying products for single and multi-family dwellings enjoyed good results. Despite the reduced number of starts in the United States, operations there were able to achieve record sales and a good though slightly lower level of earnings, through increased market penetration. The main weakness in the residential construction products sector in the United States was in aluminum doors and windows, where rising raw material costs and price competition combined to erode margins.

Non-residential construction activity in North America was very similar to that of the previous year. Low-rise commercial building in Canada was generally strong following several excellent years of residential construction and your Company's operations serving this particular market sector achieved good results. Most major markets for high-rise monumental type buildings remained overbuilt and competition for available business was extremely keen. Earnings from

this sector showed substantial improvement however, as a result of a major restructuring of curtainwall operations and a decision by management not to bid on low margin projects.

The industrial sector achieved another successful year. The Canadian aluminum extrusion operations recorded another good performance notwithstanding a 64% increase in the price of aluminum during the year. The good results produced by some of your Company's aluminum extruding activities in the United States were again offset by the continued poor performance of those operations acquired in 1981. The negative impact of the Company's U.S. aluminum supply contract on 1987 net earnings was \$4.1 million (\$0.08 per share) compared with \$6.5 million (\$0.13 per share) in 1986. The contract expired on January 31, 1988.

Automotive operations enjoyed another good year with increased market penetration offsetting the effects of the overall reduction in North American car and truck production.

Results from design engineering operations were again satisfactory in 1987.

–Capital expenditures

Expenditures on fixed assets in 1987 (including a \$6.9 million fixed asset investment in a joint-venture with PPG Canada Inc.) totalled \$92.5 million—the largest amount ever spent by your Company in a single year.

Three new manufacturing plants were completed during the year: two new extrusion plants—in Mississauga, Ontario and in Gainesville, Georgia—and a new auto-parts plant in Ridgetown, Ontario. The plant and equipment at these three facilities reflects state-of-the-art technology in the extrusion and auto-parts industries. The Mississauga and Gainesville facilities are the first of your Company's extrusion plants, and among the first in the industry, to use Computer Integrated Manufacturing (CIM) systems to operate and control the production and material handling process; and the new Ridgetown auto-parts plant makes extensive use of robotics, quick die change equipment and computer systems to control the production process.

Construction of two specialty glass processing plants—in Mississauga, Ontario and in Buford, Georgia—began in 1987. These plants, which will be completed in 1988, will employ the latest technology, and will utilize enhanced versions of the integrated automation systems presently being used by your Company's existing glass plants. In particular, the

ability to produce low-emissivity (low-E) and high performance architectural coatings at these plants will add a major dimension to the capabilities of your Company's glass processing operations.

These five new plants are important elements in your Company's plans for achieving quality earnings growth in the years ahead.

-Acquisitions and disposals

On December 31, 1987 your Company made its first major acquisition for some years when it acquired 80 % of Season-All Industries, Inc. in the United States for \$30 million. Season-All, with sales approaching \$90 million, is a leading producer of vinyl and aluminum windows for the residential and non-residential replacement window markets in the United States. The acquisition of Season-All extends Indal's interests to the vinyl replacement window market—the fastest growing segment of the window industry in North America, and adds vinyl to the principal raw materials used by your Company.

No operations were disposed of in 1987. However, during the year, your Company announced

its intention to dispose of the three U.S. extrusion and aluminum fabricating operations it acquired in 1981—which have not been able to achieve returns on investment acceptable to your Company.

-Financial position

Indal's financial position remained strong in 1987. Working capital continued to decline, from 17.2 % of sales in 1986 to 16.9 % in 1987, as a result of excellent working capital control by operating managers.

Acquisition and fixed asset expenditures of \$122.5 million were financed as to approximately \$100 million from cash balances and cash flow of the year, and from new long-term borrowings as to the balance. Long-term liabilities as a percentage of total funds employed, excluding cash, increased slightly from 29.6 % to 32.5 % over the year.

Shareholders' funds increased by \$18.5 million, despite a decline of \$12.6 million in the currency translation account caused by the effect of the lower U.S. dollar on the Canadian dollar values of your Company's U.S. investments.

J. Norman McKnight, President and Chief Executive Officer (left) and Walter E. Stracey, Chairman of the Board.



Outlook for 1988

–The economy

Both the Canadian and U.S. economies are currently expected to grow more slowly in 1988 than in 1987 – the Canadian economy by between 2.5 % and 3.0 % and the United States economy by approximately 2.0 %. Inflation is expected to remain in the 4 % to 5 % range and short-term interest rates are not expected to increase significantly. There is however a great deal of uncertainty at the present time about the economic outlook for the year as a whole.

–Indal's markets and operations

Despite the anticipated decline in economic conditions, the outlook for your Company in 1988 is positive.

Residential sales and earnings will benefit from the continuing growth of your Company's wood window market share in the United States and from the contribution of Season-All Industries, selling to the replacement window market, which is normally strong when housing starts are lower.

Non-residential sales are expected to increase, but earnings are expected to be lower as a result of start-up costs at the two new glass processing plants.

Increased contributions to industrial sales and earnings are anticipated from extrusion and automotive operations. Sales and earnings from design engineering are expected to be lower.

–Capital expenditures

Capital expenditures on fixed assets are expected to be in excess of \$80 million in 1988 as the glass processing plants are completed and equipped and as planned expansions of the new extrusion plants in Mississauga and Gainesville proceed. Your Company will continue to invest in its successful existing operations.

Acquisitions

Your Company's approach to acquisitions, having proved largely successful in the past, is likely to remain the basis of its acquisition policy in the future. Your Company will continue to seek businesses to buy which meet its acquisition criteria of having a good track record in related industries or markets, good long-term potential for growth and good continuing management, and which are available at realistic prices.

However, it is expected that, as in the past, your Company's future growth will come mainly from the expansion of existing operations.

Long-term objectives

There is no change in long-term objectives. Your Company's priorities will continue to be to supply its customers with high quality products at competitive prices and to give them a high standard of service; to achieve for its shareholders an above-average rate of growth in net earnings and an above-average return on shareholders' equity; and to contribute to the communities in which its operations are located by providing its work force with employment and opportunities for advancement in safe and modern working conditions.

In conclusion

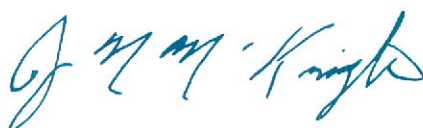
Your Company had another very successful year in 1987. Of special importance was the progress made towards achieving long-term objectives. Three new manufacturing plants were completed, two more were started, and a major acquisition was made in the United States.

On your behalf we would like to acknowledge the contribution of our employees, without whose loyalty and hard work the excellent results recorded in 1987 and the progress made towards long-term objectives could not have been achieved.

On behalf of the Board:



Walter E. Stracey
Chairman



J. Norman McKnight
President and Chief Executive Officer

March 9, 1988

Indal's management philosophy

Indal's approach to the management of its operations over the years has been to combine a high degree of delegated authority to chief operating officers of proven ability, with comprehensive reporting of information on a regular basis to management at the Company's corporate office in Toronto. At each operation, all functions of management report to the chief operating officer, who in turn reports to one of Indal's three Divisional Vice-Presidents at Corporate Office or directly to the Executive Vice-President, Manufacturing Operations.

Overall responsibility to the President and Chief Executive Officer of the Company for the ongoing management of operations rests with the Executive Vice-President, Manufacturing Operations.

Strong financial and management information systems have always been an important element in Indal's approach to group management, and responsibility to the President and Chief Executive Officer for these systems and for implementation of overall financial policy, rests with the Executive Vice-President, Finance and Administration.

Indal's executive management reports on operating and financial matters directly to the Board of Directors and, where appropriate, through Committees of the Board.

Proposals to the Board concerning the strategic direction of the Company, including major acquisition and investment proposals, are developed by Indal's executive management in consultation with the Company's Chairman.

Executive management is supported by senior corporate managers with functional responsibilities

for legal matters, human resources and corporate affairs, corporate development, accounting and planning, management information systems, treasury matters and taxation, audit and financial analysis, pension fund management, employee benefits and risk management.

Operating divisions and subsidiaries and group management prepare and update five year plans and prepare budgets annually. Latest forecasts of expected current-year performance are prepared quarterly. Actual performance is compared with budget and with latest forecast projections on a monthly basis.

The performance of operating divisions and subsidiaries is assessed by reference to their goals and objectives, and against plan and budget. Operations are measured in terms of return on investment and pre-tax margin on sales; operating management is in part remunerated based on the operation's earnings.

Operations with exceptional and above average performance are accorded a high degree of autonomy. Operations producing unacceptable results receive a high degree of attention from corporate management aimed at helping achieve improved results, but if an acceptable level of performance is not achieved within a reasonable period of time, alternative courses of action are examined.

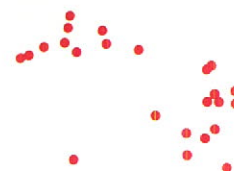
David Farnsworth, Executive Vice-President, Manufacturing Operations (second from left) discusses operations with (from the left) Divisional Vice-Presidents Allan Wakefield, Bill MacDonald and Glen Abray.



Residential construction

Segmented sales and operating profit

\$ millions	1987	1986	% change
External sales	\$468.7	\$443.1	+ 5.8 %
Operating profit	44.1	46.6	- 5.4 %
Operating profit percentage of external sales	9.4 %	10.5 %	



Principal products

Aluminum, vinyl and wood windows and patio doors; storm doors and windows; steel entry doors; aluminum ladders, tub and shower enclosures and other products for the home.

Principal markets

New construction, renovation, replacement, and consumer products markets.

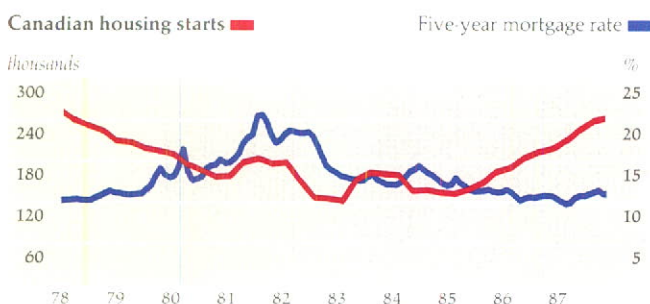
Segmented results

Sales of residential construction products increased by 5.8 % in 1987 but operating profits were 5.4 % lower than in 1986. With the rapid growth in recent years of Peachtree Doors, Inc. in particular, approximately 80 % of Indal's residential sales and operating profits now come from the United States. The relatively small increase in the value of residential sales in 1987 and the reduction in the level of profits can be attributed almost entirely to the effects of the lower U.S. dollar.

The Canadian market

Review of 1987

Canadian housing starts in 1987 increased by 23 % to reach 245,000 units—the highest level since 1978. With employment, disposable income and mortgage cost and availability factors all broadly favourable, the strength of the 1986 market carried over into 1987. All regions of the country except the Prairie and Atlantic provinces had substantial increases in starts.



Housing starts by province over the past five years have been as follows:

thousands	1983	1984	1985	1986	1987
Atlantic provinces	14.4	10.8	14.7	15.6	14.0
Quebec	40.3	41.9	48.0	60.3	73.1
Ontario	54.9	48.2	64.9	81.5	105.2
Prairie provinces	13.3	10.5	11.9	13.2	12.9
Alberta	17.1	7.3	8.3	8.5	10.6
British Columbia	22.6	16.2	18.0	20.7	29.0
	162.6	134.9	165.8	199.8	244.8

(Source: Canada Mortgage and Housing Corporation)

The strong market conditions in 1987 were reflected in the performances of the Company's residential operations. All operations were profitable, with those in Western Canada making substantial improvements, and those in Ontario having another excellent year despite strong competition.

Outlook for 1988

Housing starts are expected to decline in 1988 to below 200,000 units. Alberta is the only province expected to record an increase in starts. Single family starts, which are more important to Indal's operations, are expected to decline less than multiple unit starts.

Results from operations in Ontario are expected to be lower than those achieved in 1987. In Western Canada, where the growing Indal Building Products and Hialco divisions have been merged and where new outlets have been opened in Winnipeg and Victoria, further progress is expected to be made.

Season-All Industries, Inc., which joined the Indal group on December 31, 1987, has four manufacturing plants in Pennsylvania and Mississippi and is one of the largest and best-known manufacturers of custom vinyl and aluminum replacement windows for residential and commercial markets in the United States. The vinyl replacement window market is the fastest-growing segment of the window industry in North America. David Blose (right) inspects vinyl windows produced at Season-All's Punxsutawney, Pennsylvania plant for the company's Thermal-Gard[®] Division.



The United States Market

Review of 1987

Housing starts in the United States declined by 10% to 1.62 million units in 1987. Starts were strongest in the Midwest and in the Northeast where there was little or no change. The weakest performances were in the South and West, where the economies are influenced by the level of activity in the oil and gas industry. The decline in starts was almost exclusively in multiple unit starts, reflecting a change in tax laws in 1987. Single family starts, which are more important to Indal's operations, declined by only 3%.

Housing starts by region over the past five years have been as follows:

thousands	1983	1984	1985	1986	1987
Northeast	167.6	204.1	251.7	293.5	269.2
Midwest	217.9	243.4	239.7	295.8	298.1
South	935.2	866.0	782.3	733.1	633.5
West	382.3	436.0	468.2	483.0	420.1
Other	9.4	6.3	3.1	1.6	2.1
	1,712.4	1,755.8	1,745.0	1,807.0	1,623.0

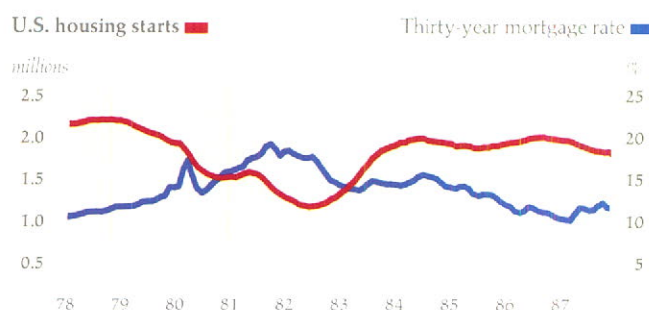
(Source: U.S. Department of Commerce—Bureau of the Census)

Indal's principal residential operations in the United States market their products nationally. Peachtree Doors, Inc., with manufacturing plants in Norcross and Gainesville, Georgia and St. Joseph, Missouri, is a leading producer of high quality wood windows, patio doors and insulated steel entry doors for the housing industry in the United States. Better-Bilt Aluminum Products Co., with manufacturing plants in Smyrna, Tennessee and Prescott, Arizona, is one of the leading national manufacturers of aluminum doors and windows.

In 1987 Peachtree's sales and earnings continued to grow, as its overall market share improved. More extensive national and regional marketing and promotion of the company's products led to greater consumer awareness of their high quality and value and to increased demand.

In the aluminum sector of the door and window market, Better-Bilt continued to encounter strong price competition, particularly in the South, where housing starts have been steadily declining in recent years. Selling prices increased towards the end of the year, helping restore better levels of profitability.

At the end of the year, Indal acquired 80% of Season-All Industries, Inc., one of the largest and best-known companies in the replacement window market in the United States. With manufacturing plants at three locations in Pennsylvania and one in Mississippi, Season-All produces custom vinyl and



aluminum replacement windows for both residential and non-residential markets. The acquisition of Season-All brings diversity to Indal's residential business in the United States, giving the Company access to the vinyl replacement window market, the fastest growing segment of the window industry in North America.

Outlook for 1988

Consumers in the United States are expected to curtail spending in 1988 and the level of demand for new homes is likely to continue to weaken. Current expectations are that housing starts will decline to between 1.50 million and 1.55 million units. Single family starts are likely to decline by less than multiple unit starts.

Notwithstanding the prospects of a less buoyant housing market, the Company's U.S. residential operations are expected to have another strong year. Peachtree Doors should continue to increase its market share in windows; Better-Bilt will again face a difficult market but should make progress in recovering material costs in selling prices; and Season-All is expected to make a substantial contribution to segment operating profits, as market conditions in 1988 are expected to favour the market for replacement windows.

Indal Extrusion Division, formed in 1986 to produce and finish high-quality aluminum extrusions for markets in the Eastern United States, commenced operations at its new plant in Gainesville, Georgia in 1987. In the first phase of operations, high-quality extrusions are being produced for the window lines of Peachtree Doors. The plant, which will be expanded in 1988, employs the latest technology in the extrusion industry, and is an important element in Indal's plans for its aluminum extrusion business in the United States. Pat Smith (right) inspects extruded aluminum sections on the vertical paint line at the Gainesville plant.



Non-residential construction

Segmented sales and operating profit

\$ millions	1987	1986	% change
External sales	\$188.1	\$201.7	– 6.7 %
Operating profit	13.7	10.8	+ 26.9 %
Operating profit percentage of external sales	7.3 %	5.4 %	



Principal products

Tempered, laminated, coated, insulated and bent glass and glass products; curtainwall; aluminum store fronts, commercial entrances and window systems and revolving doors; cold rollformed aluminum and steel products, agricultural and industrial roofing and siding, and grain storage bins.

Principal markets

High and low rise office and commercial building markets; agricultural and industrial building markets; also some residential and consumer products markets.

Segmented results

Sales of non-residential construction products decreased by 6.7 % in 1987 but operating profits improved by 26.9 %. The lower sales reflect the elimination of lower margin business at Tubelite Division; the effects of the lower U.S. dollar; and the closure of the Airlite Glass plant in Toronto. The substantial improvement in operating profits was mainly due to the return to profitability of Indal Wall Systems Ltd.

Review of 1987

In general, non-residential markets were weak in 1987, although there were notable exceptions. This was reflected in the results of individual operations. Tempglass, Inc. had another good year in the Northeast and Midwest. The other glass companies, in California, Texas, Georgia and Ontario, had a more difficult year, with lower demand in most market areas. In high-rise markets, Indal Wall Systems, as mentioned previously, returned to profitability as a result of a major restructuring of curtainwall operations and a decision by management not to bid on low margin projects. In low-rise markets, Commercial Aluminum Division again produced a good performance. In rollforming markets the Eastland Metals and Westland Metal divisions – which amalgamated to form Indal Metals Division at the end of the year – both performed well.

Towards the end of the year the Company announced its intention to dispose of the Tubelite Division, as part of a planned divestiture of the U.S. aluminum extrusion and fabrication operations

acquired in 1981. These operations have not been able to achieve satisfactory returns since their acquisition.

During the year construction of two major specialty glass processing plants began – one in Ontario and another in Georgia. Both plants will have tempering, insulating and processing lines and, for the first time, facilities for producing low-emissivity (low-E) and high performance architectural coatings for residential and non-residential applications. Further details of these plants are set out on pages 44 and 45.

Outlook for 1988

Markets for non-residential products in the United States are likely to remain relatively weak in 1988. In Canada they are likely to be stronger than in the United States, in response to the recent strength of Canadian residential construction and of the Canadian economy generally. Sales from glass processing operations are expected to increase, but the contribution to operating profits is likely to be lower than in 1987 as the two new plants will impact negatively on results in their start-up period. The contribution from low-rise operations is expected to again be strong in Canada, but relatively weak in the United States. In high-rise markets Indal Wall Systems should again be profitable, and rollforming operations are expected to have another good year.

Tempglass, Inc. completed its second expansion in two years at its Perrysburg, Ohio plant in 1987. The company produces tempered, laminated and insulated glass for customers in the Midwest and Northeastern United States. James Fuda (right) inspects glass on a new computer-controlled cutting line installed as part of the 1987 expansion of the Perrysburg plant.



Segmented sales and operating profit

\$ millions	1987	1986	% change
External sales	\$430.9	\$396.4	+ 8.7 %
Operating profit	51.8	50.6	+ 2.4 %
Operating profit percentage of external sales	12.0 %	12.8 %	



Principal products

Aluminum extrusions and fabricated parts; automotive stampings and fabricated auto parts; aluminum castings; design engineering products—principally shipboard helicopter hangars and hauldown and rapid securing systems, structural products and wind turbines.

Principal markets

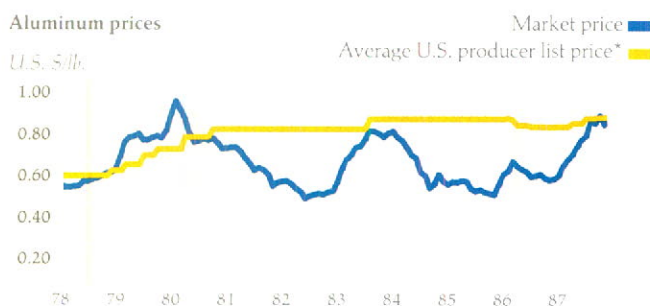
Construction, engineering, transportation, computers and business machines, defense, consumer products, auto parts and design engineering.

Segmented results

Sales and operating profits from industrial products increased by 8.7 % and 2.4 % respectively. These results reflect good results from extrusion operations overall and from automotive operations. Results from design engineering operations, though lower, were also good.

Review of 1987

Demand for aluminum in 1987 greatly exceeded supply and the cost of the metal rose steadily throughout the year, from 53½ cents U.S. per lb. in December 1986 to 88 cents U.S. per lb. in December 1987—a 64 % increase over the year.

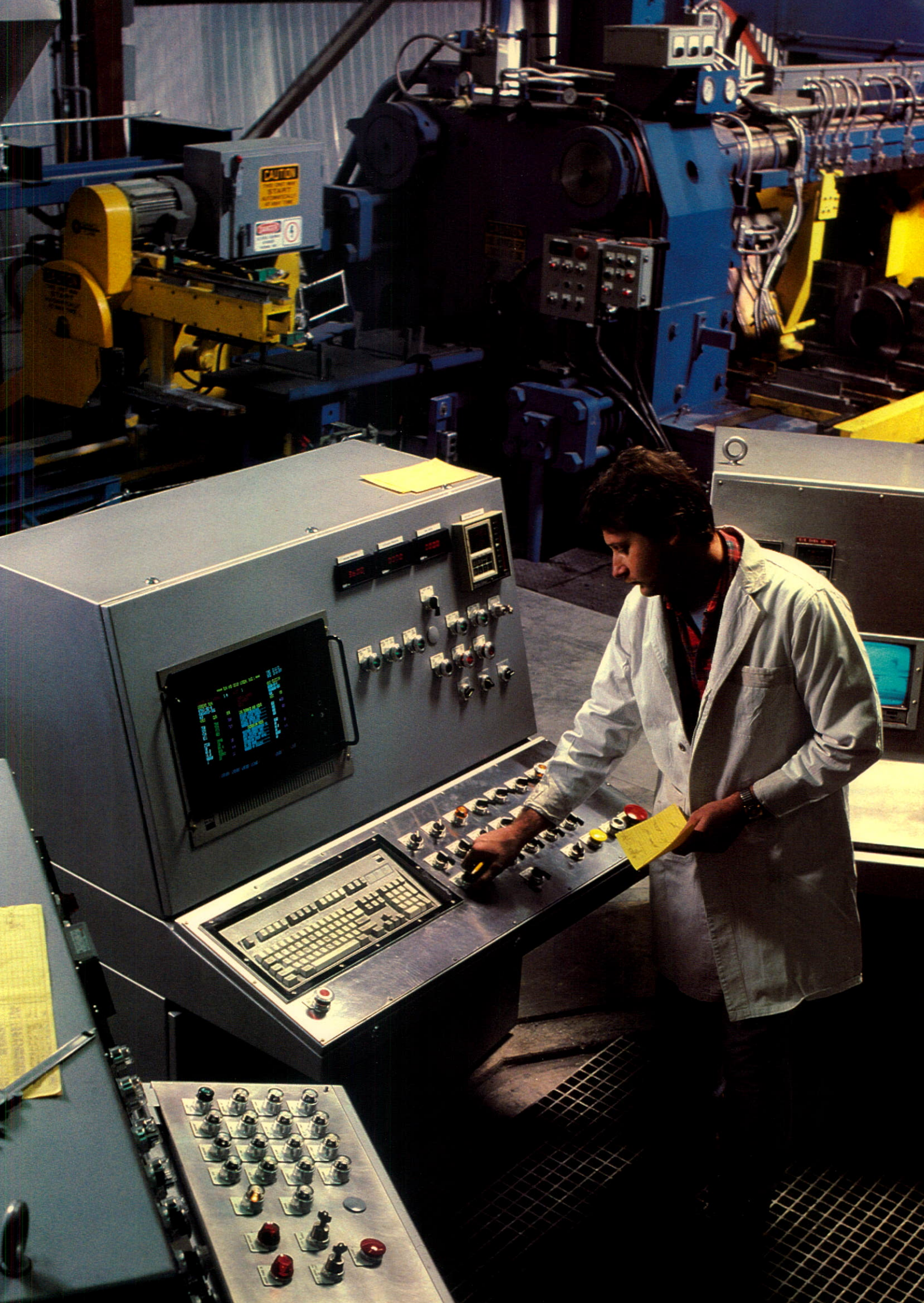


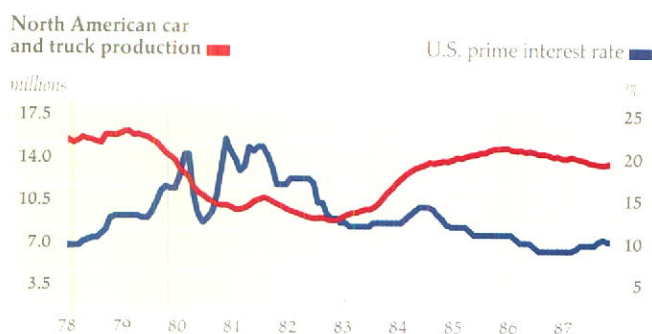
*Indexed since March, 1986.

In Canada, the demand for aluminum extrusions continued to be strong, particularly from the construction industry, and sales and operating profits from the Company's extrusion and recycling operations were satisfactory. Phase one of the new Indalex plant in Mississauga, Ontario was completed during the year and went into production in stages during the third and fourth quarters. The plant, which is already producing and finishing extrusions of very high quality, will be completed in the third quarter of 1988.

In the United States, volumes were higher than in 1986, but with the exception of Mideast Aluminum Industries Division, extrusion operations had another disappointing year. Results at the Indal Aluminum and Indal Aluminum Gulfport divisions and at Indal Tool Inc. improved overall, but fell short of acceptable levels. Towards the end of the year the Company announced its intention to dispose of these three operations, which have been unable to achieve satisfactory returns. During the year the Company completed the construction of phase one of the new Indal Extrusion Division facility in Gainesville, Georgia and the plant started supplying high-quality painted extrusions to Peachtree Doors for its window lines during the fourth quarter. The plant, which will be expanded during 1988, is an important element in Indal's plans for its aluminum extrusion business in the United States.

Indalex Division commenced operations at its new plant in Mississauga, Ontario in 1987. The plant, which will be expanded in 1988, and which will ultimately replace the original Indalex plant in Toronto, uses advanced Computer Integrated Manufacturing (CIM) systems to operate and control production and material handling. Indalex Division also has plants in Port Coquitlam, B.C., Calgary and Montreal. Jim Beaman (right) monitors production on one of the press lines at the new Mississauga plant.





In 1987, the level of demand in the North American auto sector slackened for the second successive year, with total production of cars and trucks at 12.6 million units—5 % lower than in 1986.

Indal's Fabricated Steel Products Division increased sales but suffered some reduction in margins. Ford Motor Company is a major customer of Fabricated Steel Products, and the Windsor plant continued to work at capacity throughout the year. Production started at the new plant in Ridgetown, Ontario during the second quarter. Brampton Foundries Limited, which makes castings for automotive and general industrial customers, experienced some delays in orders and did not fully meet expectations.

Indal Technologies Inc., the Company's design engineering operation in Mississauga, had another good year but sales and operating profits were lower than in 1986.

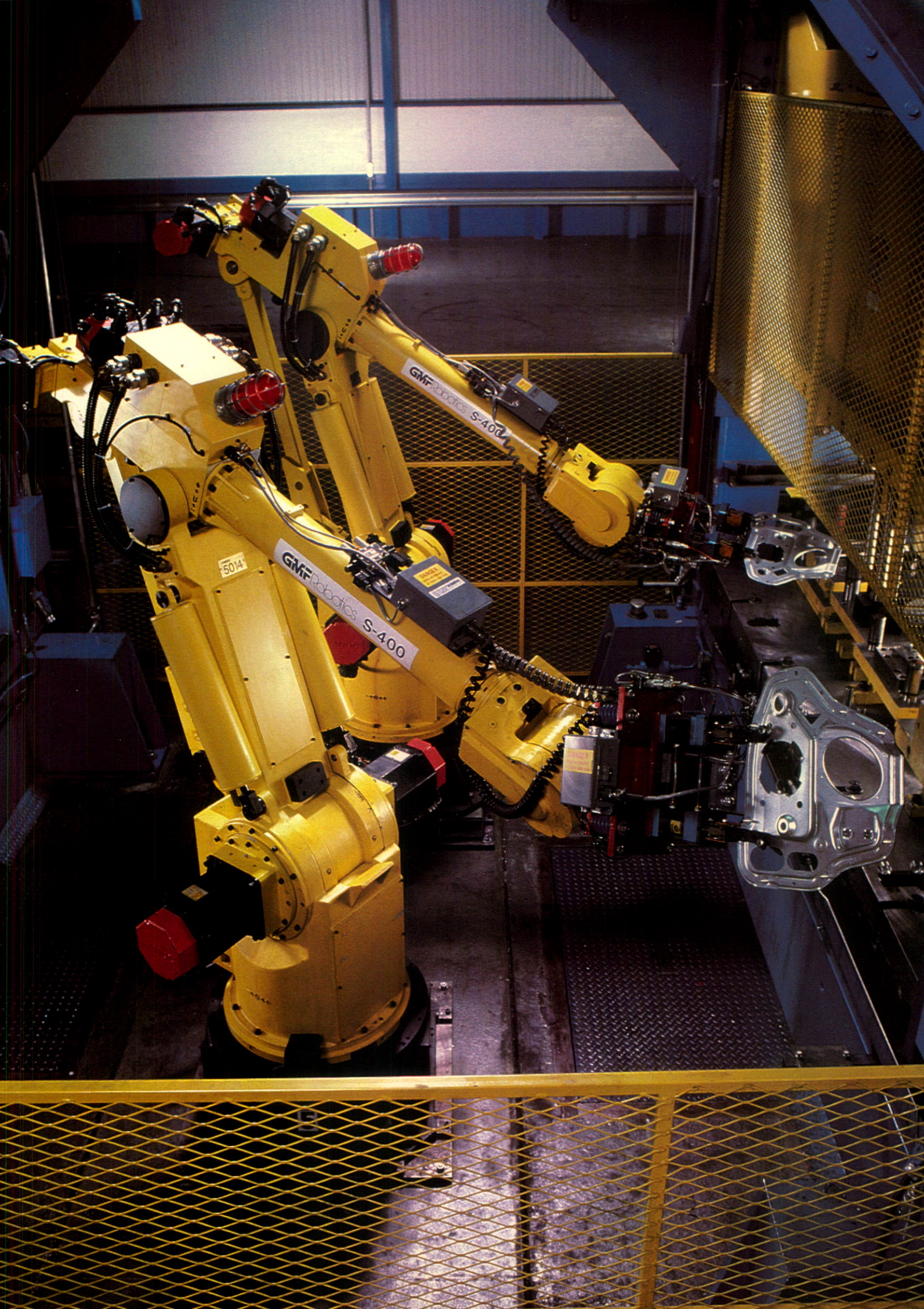
Outlook for 1988

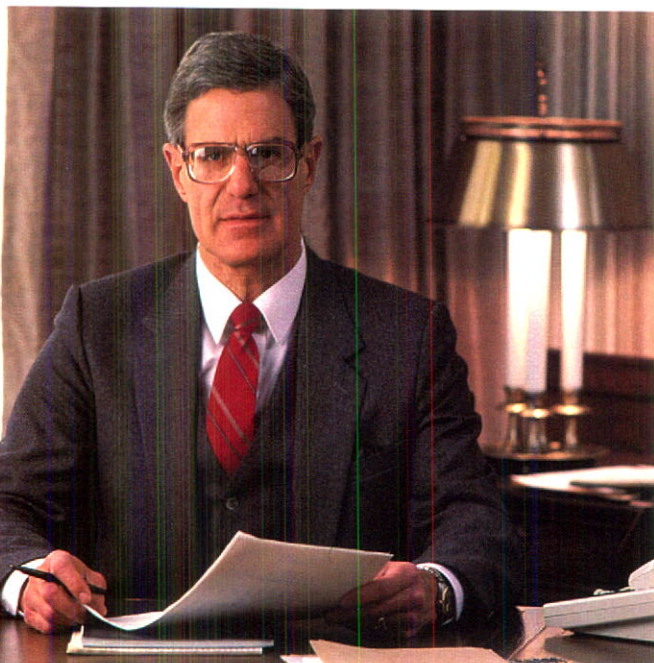
It is anticipated that aluminum prices will stay high in 1988, but with some prospect of decline as the year progresses. Demand from the construction industry will be lower in Canada, but Canadian extrusion operations are expected to again have good results. Indalex will complete the phase two expansion of its new plant in Mississauga during the year. The level of contribution to sales and operating profits from U.S. extrusion operations will depend very much on whether or not the Company disposes of its Indal Aluminum, Indal Aluminum Gulfport and Indal Tool operations.

Car and truck production in North America is expected to decline slightly in 1988. Fabricated Steel Products, however, with increasing market penetration and a good order position at the new plant in Ridgetown, should again make a significant contribution to sales and earnings in 1988.

Indal Technologies, with lower deliveries of its helicopter hauldown systems to the U.S. and other navies scheduled for 1988, will make a lower contribution to sales and operating profits than in 1987.

Fabricated Steel Products Division's new plant in Ridgetown, Ontario, which went into production in 1987, makes extensive use of robotics and quick die change equipment. Stampings and assemblies produced at the plant are principally for General Motors and Chrysler Corporation. In the photograph opposite, two robots move parts between presses on the production line at the Ridgetown plant.





Peter G. Selley, Executive Vice-President, Finance and Administration.

Accounting policies, methods and disclosures

There were no changes in accounting policies and methods in 1987. In accordance with the Canadian Institute of Chartered Accountants' Accounting Recommendation concerning Capitalized Interest, the amount of interest relating to the construction of fixed assets and included in their cost is disclosed in note 9 to the consolidated financial statements.

Earnings statement

The earnings statement for the year was as follows:

\$ millions	1987	%	1986	%
Sales	\$1,087.7	100.0	\$1,041.2	100.0
Gross profit	269.5	24.8	268.0	25.7
Expenses	181.0	16.7	177.1	17.0
Pre-tax earnings	88.5	8.1	90.9	8.7
Income taxes	36.4	3.3	38.9	3.7
	52.1	4.8	52.0	5.0
Minority interests	1.6	0.2	1.7	0.2
	50.5	4.6	50.3	4.8
Losses from discontinued operations	—	—	1.1	0.1
Net earnings	\$ 50.5	4.6	\$ 49.2	4.7
Earnings per share	\$1.03		\$1.01	

At \$1,087.7 million, sales in 1987 were 4.5% higher than in 1986. The smallness of the increase was in part due to the effect of the decline in the value of the U.S. dollar on the translation of U.S. sales into Canadian dollars.

The gross profit percentage in 1987 was 24.8% compared with 25.7% in 1986. The decrease reflects keen selling price competition and inability to fully recover cost increases in selling prices. This affected a number of operations. Expenses declined from 17% of sales to 16.7%, mainly as a result of lower administration costs. Pretax earnings, at 8.1% of sales, were accordingly lower than the 8.7% realised in 1986.

The Company's effective income tax rate in 1987 declined from 42.7% to 41.2% largely as a consequence of lower corporate tax rates in the United States and Canada. After minority interests and with no losses from discontinued operations in 1987, net earnings increased from \$49.2 million (\$1.01 per share) to \$50.5 million (\$1.03 per share).

As stated in note 4 to the consolidated financial statements, retained earnings at December 31, 1986 were adjusted to reflect a prior period adjustment of \$4.0 million in respect of Canadian taxation and related interest with respect to the years 1971-1976.

Segmented information

Sales and operating profit (i.e. earnings before income taxes, interest and corporate costs) by industry segment were as follows:

Sales

\$ millions	1987	%	1986	%
Residential construction	\$ 468.7	43.1	\$ 443.1	42.5
Non-residential construction	188.1	17.3	201.7	19.4
Industrial	430.9	39.6	396.4	38.1
	\$1,087.7	100.0	\$1,041.2	100.0

Operating profit

\$ millions	1987	% of sales	1986	% of sales
Residential construction	\$ 44.1	9.4	\$ 46.6	10.5
Non-residential construction	13.7	7.3	10.8	5.4
Industrial	51.8	12.0	50.6	12.8
	\$ 109.6	10.1	\$ 108.0	10.4

Residential and industrial sales increased both in dollar terms and as a percentage of total sales in 1987; non-residential sales declined. Operating profits as a percentage of sales improved for non-residential products and declined slightly for residential and industrial products.

The performance of the industry segments is commented on in the Review of operations on pages 10 to 18 of the Report.

Sales and operating profit by geographic segment were as follows:

Sales				
<i>\$ millions</i>	1987	%	1986	%
Canada	\$ 488.4	44.9	\$ 449.6	43.2
United States	599.3	55.1	591.6	56.8
	\$1,087.7	100.0	\$1,041.2	100.0
Operating profit				
<i>\$ millions</i>	1987	% of sales	1986	% of sales
Canada	\$ 65.1	13.3	\$ 63.5	14.1
United States	44.5	7.4	44.5	7.5
	\$ 109.6	10.1	\$ 108.0	10.4

Sales in Canada and the United States in 1987 increased by 8.6 % and 1.3 % respectively. Canadian sales increased to 44.9 % of total sales and U.S. sales declined to 55.1 %. However, the slower rate of growth in U.S. sales was principally due to the lower value of the U.S. dollar. In U.S. dollars, sales in the United States increased by 6.7 % and there would have been virtually no change in the percentages of total sales had it not been for the change in exchange rates.

Operating profits increased by 2.5 % in Canada in 1987 and were unchanged in the United States. In U.S. dollar terms, operating profits in the United States increased by 5.3 %.

Operating margins in Canada declined from 14.1 % to 13.3 % as a result of keen selling price competition and cost increases, as indicated earlier. Operating margins in the United States were unchanged.

The lower operating profit margin in the United States relative to Canada reflects the much higher cost of selling and distribution in the United States, where

promotion is an important element of expense and where transportation is over longer distances than in Canada. It also reflects the low margin of profitability of those U.S. extrusion operations which management has decided to sell.

Balance sheet

The Company's balance sheet at December 31, 1987 was as follows:

<i>\$ millions</i>	1987	1986	% change
Net assets:			
Current assets ⁽¹⁾	\$315.6	\$275.0	+ 14.8 %
Current liabilities ⁽¹⁾	130.2	113.4	+ 14.8 %
Working capital	185.4	161.6	+ 14.8 %
Long-term investment	6.9	—	—
Fixed assets	233.6	172.0	+ 35.8 %
Intangible assets	53.5	35.6	+ 50.3 %
Total net assets	\$479.4	\$369.2	+ 29.8 %
Funds employed:			
Shareholders' equity	\$294.0	\$275.5	+ 6.7 %
Long-term liabilities ⁽²⁾	160.4	128.7	+ 24.6 %
Cash	(13.7)	(66.0)	- 79.2 %
Other ⁽³⁾	38.7	31.0	+ 24.8 %
Total funds employed	\$479.4	\$369.2	+ 29.8 %

(1) Current assets exclude cash; current liabilities exclude current portion of long-term liabilities.

(2) Including current portion.

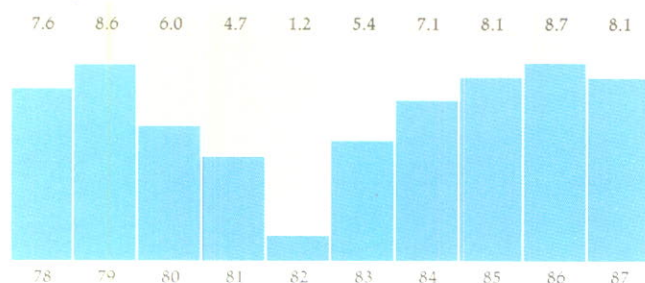
(3) Deferred income taxes, minority shareholders' interests and other long-term credits.

The Company's financial position remained strong in 1987. Shareholders' equity increased from \$275.5 million to \$294.0 million, and the return on average common shareholders' equity was 17.7 % compared with 18.8 %. The Company's ultimate goal is to achieve an average return on shareholders' equity of 20 %. Over the past four years the rate of return has averaged 17.7 %.

Long-term liabilities represented 32.5 % of funds employed, excluding cash, at the end of 1987 compared with 29.6 % at the end of 1986.

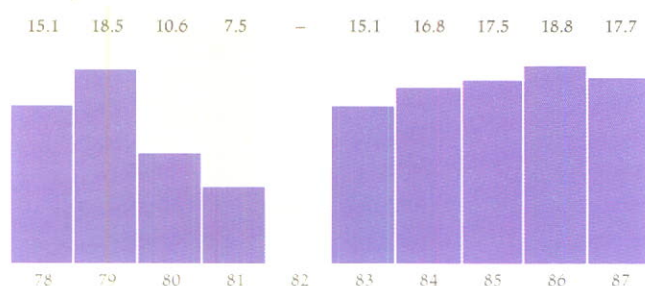
Earnings before income taxes as a percentage of sales

Percentages



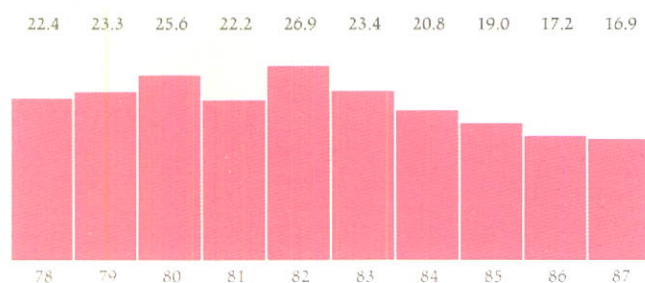
Percentage return of net earnings on average common shareholders' equity

Percentages



Average working capital as a percentage of sales

Percentages



Control of working capital continued to improve. The percentage of average working capital to sales declined for the fifth consecutive year. At 16.9% it has reached the lowest level in the history of the Company and is better than the Company's target level of 18%. The improvement in working capital from 26.9% in 1982 to 16.9% in 1987 is equivalent to a saving in working capital of over \$108 million and an annual saving in interest costs of approximately \$10 million (\$0.12 per share).

Cash flow

The cash flow for the year was as follows:

\$ millions	1987	1986
Earnings before income taxes	\$ 88.5	\$ 90.9
Taxation payments	(34.1)	(30.7)
	54.4	54.2
Changes in working capital	(8.0)	2.8
Purchase of fixed assets	(85.6)	(49.5)
Long-term investment	(6.9)	—
Sale of fixed assets	4.6	8.7
Depreciation and amortization	26.3	25.3
	(61.6)	(15.5)
Acquisition of business	(30.0)	—
Acquisition of shares in subsidiaries	—	(2.4)
Disposal of businesses	—	4.2
	(30.0)	1.8
New long-term liabilities	34.3	51.3
Long-term liabilities repaid	(8.7)	(23.0)
Exchange rate adjustments	(10.7)	(2.5)
	14.9	25.2
Dividends paid	(19.6)	(19.0)
Other	(2.4)	(0.0)
Cash flow	\$ (52.3)	\$ 48.3

The major changes in the 1987 cash flow compared with 1986 were as follows:

- an increase of \$8.0 million in working capital compared with a reduction of \$2.8 million.
- fixed asset purchases (including a related long-term investment) of \$92.5 million compared with \$49.5 million.
- the acquisition of Season-All Industries in 1987 at a cost of \$30.0 million.

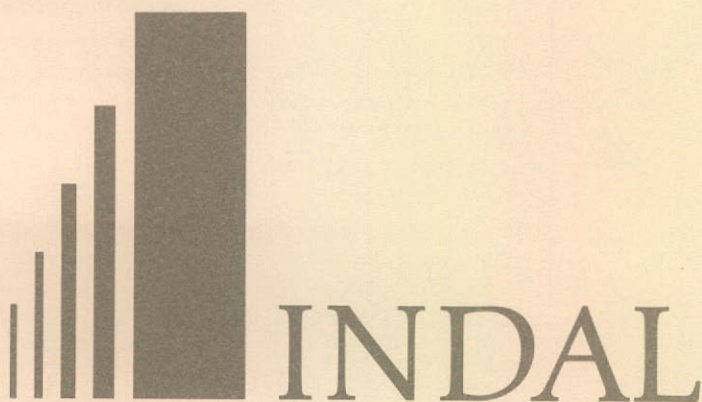
Reporting the effects of changing prices

As mentioned in previous Annual Reports, management is firmly of the opinion that there is little value to be derived from presenting financial information adjusted to reflect the effects of changing prices.

Consolidated financial statements

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The consolidated financial statements and the Annual Report have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements are in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are set out on pages 25 and 26. Management is responsible for the accuracy, within reasonable limits of materiality, of the financial statements, for the professional judgments involved in their preparation and for the consistency therewith of all other financial information included in the Annual Report.

To assist management in the discharge of its responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared. Management believes that the system is appropriate, in terms of cost and risk, to meet the objectives outlined. The Company's internal audit department, working under the direction of management, monitors the system of internal controls to ensure that satisfactory standards are maintained.

Coopers & Lybrand, the Company's external auditors, have examined the consolidated financial statements on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report below outlines the nature of their examination and expresses their opinion on the consolidated financial statements of the Company.

The Company's Audit Committee is appointed annually by the Board of Directors and is comprised of non-management Directors. The Committee meets periodically with management and with the internal and external auditors to satisfy itself that each is properly discharging its responsibilities and reviews annually the consolidated financial statements and the report of the external auditors. The Audit Committee reports its findings to the Board of Directors who are responsible for approving the consolidated financial statements for presentation to the shareholders.

March 9, 1988



P.G. Selley

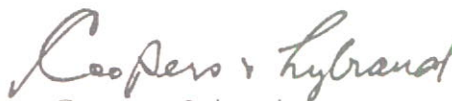
Executive Vice-President, Finance and Administration

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Indal Limited as at December 31, 1987 and the consolidated statements of earnings and retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1987 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 18, 1988



Coopers & Lybrand
Toronto, Ontario

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect the policies set out below.

Basis of consolidation

The consolidated financial statements of the Company include the financial statements of all subsidiaries. The operating results of operations disposed of or discontinued and gains and losses on disposal or discontinuance are segregated and stated separately in the consolidated statement of earnings and in a note to the consolidated financial statements in the year of disposal or discontinuance. All material inter-company items and transactions are eliminated on consolidation. Acquisitions are consolidated from the date of acquisition. Investments in companies in which the Company has significant influence are accounted for by the equity method.

Foreign currency translation

The financial statements of the Company's foreign operations, all of which are considered self-sustaining, are translated into Canadian dollars as follows:

- assets and liabilities – at the rates of exchange in effect at the balance sheet date.
- revenue and expense items – at the rates of exchange approximating the average rates of exchange for the year.

Exchange gains and losses arising on the translation of the balance sheets of foreign operations are deferred and taken to the currency translation account in the shareholders' equity section of the consolidated balance sheet.

Transactions of the Company and its Canadian operations, denominated in foreign currencies, are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income of the year except where they arise upon the translation of monetary items which hedge net investment in foreign operations. Such exchange gains and losses are deferred and taken to the currency translation account in the consolidated balance sheet.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Fixed assets

Fixed assets, including expenditures which improve or prolong the useful lives of such assets, are stated at cost. Fixed assets obtained through acquisitions are stated at their fair values at date of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of the assets. Estimated useful lives generally range from twenty to forty years for buildings, seven to ten years for machinery and equipment, three to ten years for office furniture and equipment, and three to four years for motor vehicles. Leasehold improvements are amortized over the terms of the leases, and tools and dies are generally amortized over periods of up to three years.

Maintenance and repair costs of a routine nature are expensed as incurred.

Capitalized interest

Interest related to financing the construction of fixed assets is included in the cost of those fixed assets.

Capital leases

Leases that transfer substantially all the risks and benefits of ownership are capitalized. Other leases are accounted for as operating leases.

Goodwill

Goodwill is amortized on a straight-line basis over its estimated life or forty years, whichever is less. Any goodwill remaining on the disposal or discontinuance of an operation is written off in the year of disposal or discontinuance.

Deferred charges

Deferred charges are written off over periods not exceeding five years.

Pension costs and obligations

Pension costs are calculated, pro-rated on service, using the accrued benefit method of actuarial valuation with projected earnings where appropriate.

Pension plans are actuarially valued at least every three years. Adjustments arising on valuation are taken to earnings over the expected average remaining service life of the relevant employee group.

Pension plans are funded using a level contribution method of actuarial valuation. Funding requirements are adjusted to reflect the results of periodic plan actuarial valuations. For funding purposes, surpluses are offset against annual contributions until exhausted, while deficits are funded over periods of up to ten years.

Long-term contracts

Sales and earnings relating to long-term construction and design engineering contracts are recognized on a percentage of completion basis. Full provision is made for estimated losses as soon as these are identified.

Income taxes

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- depreciation and amortization – where the amounts claimed for income tax purposes differ from the amounts written off for accounting purposes.
- accounts receivable holdbacks – where amounts are not taxed until released.
- inventories – where costs determined on a last-in, first-out basis have been restated on consolidation on a first-in, first-out basis.
- recognition of income under long-term contracts – where income is recognized for income tax purposes only when the contract is completed.
- pension costs – where costs provided differ from amounts recognized for income tax purposes.

Investment tax credits are accounted for using the cost reduction approach.

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

Fully diluted earnings per share are computed as though outstanding stock options had been exercised at the beginning of the year.

Consolidated statements of earnings and retained earnings

for the year ended December 31, 1987

Indal Limited

<i>\$ millions</i>	1987	%	1986	%
Earnings				
Sales	\$1,087.7	100.0	\$1,041.2	100.0
Cost of sales	818.2	75.2	773.2	74.3
Gross profit	269.5	24.8	268.0	25.7
Expenses				
Selling and distribution	104.5	9.6	101.3	9.7
Administration	64.7	6.0	67.2	6.5
Financial (note 2)	10.6	1.0	9.5	0.9
	179.8	16.6	178.0	17.1
Other income/(expenses) (note 3)	89.7	8.2	90.0	8.6
	(1.2)	(0.1)	0.9	0.1
Earnings before income taxes	88.5	8.1	90.9	8.7
Income taxes (note 5)	36.4	3.3	38.9	3.7
Earnings before minority shareholders' interests	52.1	4.8	52.0	5.0
Minority shareholders' interests	1.6	0.2	1.7	0.2
Earnings from continuing operations	50.5	4.6	50.3	4.8
Losses from discontinued operations	—	—	1.1	0.1
Net earnings	\$ 50.5	4.6	\$ 49.2	4.7
Earnings per share				
Basic				
Continuing operations	\$1.03		\$1.03	
Discontinued operations	—		(0.02)	
	\$1.03		\$1.01	
Fully diluted	\$1.03		\$1.00	

Retained earnings

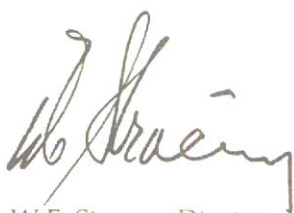
Balance—beginning of year		
As previously reported	\$ 143.8	\$ 114.1
Prior period adjustment (note 4)	(4.0)	(3.9)
As restated	139.8	110.2
Net earnings	50.5	49.2
	190.3	159.4
Dividends paid on common shares	19.6	19.6
Balance—end of year	\$ 170.7	\$ 139.8

Consolidated balance sheet

as at December 31, 1987

<i>\$ millions</i>	1987	1986
Assets		
Current assets		
Cash	\$ 13.7	\$ 66.0
Accounts receivable	157.2	136.2
Inventories (note 6)	139.2	121.0
Other accounts receivable and prepaid expenses	19.2	17.8
	<u>329.3</u>	<u>341.0</u>
Long-term investment (note 7)	6.9	—
Fixed assets (notes 8 and 9)		
Land	19.8	13.7
Buildings	115.0	81.4
Machinery and equipment	181.0	146.4
Leasehold improvements	9.2	8.0
Office furniture and equipment	23.0	15.6
Motor vehicles	9.9	10.4
	<u>357.9</u>	<u>275.5</u>
Accumulated depreciation	(132.4)	(111.6)
	<u>225.5</u>	<u>163.9</u>
Tools and dies—at cost, less amortization	8.1	8.1
	<u>233.6</u>	<u>172.0</u>
Intangible assets		
Goodwill (note 10)	50.7	35.6
Deferred charges (note 11)	2.8	—
	<u>53.5</u>	<u>35.6</u>
	<u>\$623.3</u>	<u>\$548.6</u>

Signed on behalf of the Board:



W.E. Stracey, *Director*



P.G. Selley, *Director*

	1987	1986
Liabilities		
Current liabilities		
Accounts payable and accrued charges	\$115.3	\$ 95.7
Income taxes payable	2.4	10.2
Other taxes payable	5.1	4.8
Deferred income taxes relating to current items	7.4	2.7
Current portion of long-term liabilities (note 13)	2.7	3.2
	<u>132.9</u>	<u>116.6</u>
Long-term liabilities less current portion (note 13)	157.7	125.5
Deferred income taxes	23.9	21.4
Minority shareholders' interests in subsidiary companies	9.7	6.1
Other long-term credits (note 14)	5.1	3.5
	<u>329.3</u>	<u>273.1</u>
 Shareholders' equity		
Capital stock (note 16)		
Issued and fully paid		
49,008,000 (1986 – 48,970,000) common shares	115.8	115.6
Currency translation account (note 17)	7.5	20.1
Retained earnings	170.7	139.8
	<u>294.0</u>	<u>275.5</u>
	<u>\$623.3</u>	<u>\$548.6</u>

Consolidated statement of cash flow

for the year ended December 31, 1987

Indal Limited

<i>\$ millions</i>	1987	1986
Internally generated		
Earnings before income taxes	\$ 88.5	\$ 90.9
Depreciation and amortization of fixed assets	26.3	25.3
Amortization of goodwill	2.0	2.0
Taxation payments	(34.1)	(36.7)
Proceeds on sale of fixed assets	4.6	8.7
Exchange rate adjustments	(10.7)	(2.5)
Other	(1.6)	(2.6)
	<u>75.0</u>	<u>85.1</u>
Working capital		
Accounts receivable and prepaid expenses	(9.7)	(2.6)
Inventories	(8.6)	(7.9)
Accounts payable and accrued charges, and other taxes	10.3	13.3
	<u>(8.0)</u>	<u>2.8</u>
Cash flow internally generated	<u>67.0</u>	<u>87.9</u>
Financing activities		
Issue of common shares	0.2	0.4
New long-term liabilities	34.3	51.3
Repayment of long-term liabilities	(8.7)	(23.6)
Dividends to shareholders in subsidiary companies	(0.4)	(0.4)
Cash flow from financing activities	<u>25.4</u>	<u>27.7</u>
Investment activities		
Acquisition of business (note 1)	(30.0)	—
Acquisition of shares in subsidiaries	—	(2.4)
Purchase of fixed assets	(85.6)	(49.5)
Long-term investment (note 7)	(6.9)	—
Deferred charges	(2.6)	—
Cash flow from investment activities	<u>(125.1)</u>	<u>(51.9)</u>
Cash flow before dividends on common shares	<u>(32.7)</u>	<u>63.7</u>
Dividends paid on common shares	(19.6)	(19.6)
Cash flow attributable to continuing operations	<u>(52.3)</u>	<u>44.1</u>
Cash movement attributable to discontinued operations		
Operational	—	(0.6)
Sale of businesses	—	4.8
Net cash inflow/(outflow)	<u>(52.3)</u>	<u>48.3</u>
Opening cash	<u>66.0</u>	<u>17.7</u>
Closing cash	<u>\$ 13.7</u>	<u>\$ 66.0</u>

Notes to consolidated financial statements

for the year ended December 31, 1987

Indal Limited

1. Acquisition of business

On December 31, 1987, the Company acquired 80 % of the issued share capital of Season-All Industries, Inc., a company manufacturing vinyl and aluminum replacement windows in the United States. This acquisition has been accounted for by the purchase method.

The consideration for this acquisition was \$30.0 million in cash, allocated based on the fair values of the assets and liabilities at the date of acquisition, as follows:

\$ millions

Current assets	\$ 22.3
Fixed assets	11.0
Goodwill	19.0
Deferred charges	0.2
Current liabilities	(9.7)
Long-term liabilities	(10.0)
Minority shareholders' interests	(2.8)
	<u>\$ 30.0</u>

2. Financial expenses

Financial expenses include interest income and expenses as follows:

\$ millions

	1987	1986
Interest on (cash)/bank advances	\$ (3.2)	\$ (1.5)
Interest on long-term liabilities	13.0	11.7

3. Other income/(expenses)

\$ millions

	1987	1986
Profit on sale of fixed assets	\$ 0.1	\$ 2.3
Amortization of goodwill	(2.0)	(2.0)
Reorganization costs	(0.4)	(1.5)
Other	1.1	2.1
	<u>\$ (1.2)</u>	<u>\$ 0.9</u>

4. Prior period adjustment

In January 1986, judgment was given in the Federal Court of Canada against a Canadian subsidiary of the Company which was contesting federal and provincial income tax and non-resident withholding tax assessments relating to the years 1971-1976. The assessments deemed income earned by a non-resident affiliated corporation outside the Indal group to have been earned by the subsidiary and accordingly to be subject to Canadian taxation. In December 1987, the judgment of the Federal Court of Canada was upheld in the Federal Court of Appeal and accordingly an amount of \$4.0 million, representing income taxes (\$1.7 million) and related interest (\$1.8 million) and non-resident withholding taxes (\$0.5 million) has been charged to retained earnings as a prior period adjustment and reflected in income taxes payable in the balance sheet.

5. Income taxes

<i>\$ millions</i>	1987	1986
Canadian		
Current income taxes	\$ 15.6	\$ 20.3
Deferred income taxes	3.9	0.6
	<u>19.5</u>	<u>20.9</u>
Foreign		
Current income taxes	13.4	17.0
Deferred income taxes	3.5	1.0
	<u>16.9</u>	<u>18.0</u>
Total		
Current income taxes	29.0	37.3
Deferred income taxes	7.4	1.6
	<u>\$ 36.4</u>	<u>\$ 38.9</u>

Of the total amount of deferred income taxes, \$3.3 million (1986—\$2.4 million) relates to non-current items.

The Company's effective income tax rate varied from its basic Canadian corporate tax rate as follows:

<i>percentages</i>	1987	1986
Canadian corporate tax rate	45.1%	45.8%
Effect of lower effective foreign tax rates	(5.1)	(3.0)
Effect of non-deductible goodwill amortization and appraisal-surplus depreciation	1.0	1.0
Adjustment of amounts previously provided	0.1	(0.5)
Other	0.1	(0.6)
	<u>41.2</u>	<u>42.7</u>

Deferred income taxes arise from timing differences. The sources and tax effects of these timing differences and other movements through the deferred income taxes account are as follows:

<i>\$ millions</i>	1987	1986
Tax depreciation and amortization in excess of accounting depreciation and amortization	\$ 2.9	\$ 1.0
Accounts receivable holdbacks	1.8	(0.7)
Provisions for doubtful debts and pension contributions not currently deductible for income tax purposes	(0.1)	0.7
Deferred recognition for income tax purposes of profit on long-term contracts	1.4	(0.2)
Inventories restated on a first-in, first-out basis	2.9	(0.5)
Adjustment of amounts previously provided and other items	(1.5)	1.3
Deferred income taxes provision of the year	7.4	1.6
Other adjustments	(0.2)	(1.7)
	<u>\$ 7.2</u>	<u>\$ (0.1)</u>

6. Inventories

<i>\$ millions</i>	1987	1986
Raw materials	\$ 65.0	\$ 58.2
Work in process	37.7	37.6
Finished goods	36.5	25.2
	<u>\$139.2</u>	<u>\$121.0</u>

7. Long-term investment

During the year, the Company and PPG Canada Inc. formed a new company, Technolite Glass Inc., to produce energy-conserving coated glass and insulated glass. The Company's 49% interest (\$6.9 million) has been accounted for by the equity method. Production is expected to commence during the first quarter of 1988.

8. Fixed assets

Assets financed by capital leases, accounted for and depreciated as company-owned facilities and included in fixed assets, are as follows:

<i>\$ millions</i>	1987	1986
Land and buildings	\$ 8.1	\$ 8.6
Machinery and equipment	5.4	5.7
	<u>13.5</u>	<u>14.3</u>
Accumulated depreciation	(6.8)	(6.4)
	<u>\$ 6.7</u>	<u>\$ 7.9</u>

Aggregate future minimum capital lease payments are \$14.5 million, payable as follows: 1988—\$1.2 million, 1989—\$1.0 million, 1990—\$1.8 million, 1991—\$1.6 million, 1992—\$1.5 million, thereafter—\$7.4 million.

Long-term liabilities (note 13) include \$9.8 million in respect of capital leases, being aggregate future payments (\$14.5 million) less the portion representing future interest (\$4.7 million).

Aggregate future minimum operating lease payments are \$43.0 million, payable as follows: 1988—\$10.3 million, 1989—\$8.5 million, 1990—\$6.3 million, 1991—\$4.7 million, 1992—\$3.1 million, thereafter—\$10.1 million.

9. Capitalized interest

Interest capitalized during the year has been included in the cost of fixed assets as follows:

<i>\$ millions</i>	1987	1986
Land and buildings	\$ 1.0	\$ 0.2
Machinery and equipment	0.9	0.1
	<u>\$ 1.9</u>	<u>\$ 0.3</u>

10. Goodwill

<i>\$ millions</i>	1987	1986
Balance—beginning of year	\$ 35.6	\$ 36.3
Additions	19.0	1.7
Amortization	(2.0)	(2.0)
Exchange rate adjustments	(1.9)	(0.4)
Balance—end of year	<u>\$ 50.7</u>	<u>\$ 35.6</u>

11. Deferred charges

Deferred charges comprise preproduction costs relating to manufacturing facilities under construction and costs of computer systems development still in progress at December 31, 1987 including costs of \$0.2 million arising on the acquisition of Season-All Industries, Inc. on December 31, 1987.

12. Bank facilities

Operating and revolving credit facilities with the Company's bankers are negotiated or extended annually. At December 31, 1987 such facilities amounted to \$144.0 million. Revolving credit facilities in use, reflected in long-term liabilities, amounted to \$32.8 million. There were no borrowings outstanding under operating credit facilities.

13. Long-term liabilities

<i>\$ millions</i>	1987	1986
Unsecured debentures		
Non-redeemable 10.10% Debentures, Series 1, due July 2, 1996.	\$ 50.0	\$ 50.0
Unsecured bank debt		
U.S. \$32.0 million term loan, repayable from 1989 to 1991, at LIBOR plus $\frac{1}{4}\%$ (a)	41.6	44.2
Five-year extendable reducing revolving loan, currently repayable from 1989 to 1992 (b) (c)	18.0	—
Two-year extendable revolving loan, currently repayable in 1989 (b)	14.8	—
	74.4	44.2
Other unsecured loans	1.2	2.1
Mortgages (d)		
Repayable from 1988 to 1992, at from $8\frac{1}{2}\%$ to $13\frac{1}{2}\%$	9.8	10.3
Repayable from 1993 to 1997, at from $9\frac{1}{4}\%$ to 10%	1.1	1.2
Repayable after 1997, at 4%	0.6	0.6
	11.5	12.1
Industrial revenue bonds (e)		
U.S. \$6.0 million, repayable from 1991 to 1993, at $9\frac{3}{4}\%$	7.8	8.3
U.S. \$0.9 million, repayable from 1989 to 1999, at $7\frac{1}{2}\%$	1.1	1.3
U.S. \$3.5 million, repayable in 2004 (f)	4.6	—
	13.5	9.6
Capital lease obligations (g)	9.8	10.7
Total long-term liabilities	160.4	128.7
Less: portion due within one year	2.7	3.2
	\$157.7	\$125.5

Notes:

- (a) In 1984, the Company entered into separate interest rate swap agreements which effectively convert the interest rate on U.S. \$20.0 million of this loan to a fixed rate of approximately 12 $\frac{1}{4}$ % for 1988 and 1989.
- (b) Revolving loan amounts are normally provided by way of short-term bankers acceptances at market rates for acceptances and commissions, but may be at other short-term rates (principally Canadian prime rate) from time to time, at the Company's option. Amounts outstanding at December 31, 1987 were at rates of from 9 $\frac{1}{2}$ % to 9 $\frac{3}{4}$ %.
- (c) In 1987, the Company entered into separate interest rate swap agreements which effectively convert the interest rate on this loan to a weighted average rate of approximately 9 $\frac{3}{4}$ % over its expected term.
- (d) Mortgages include \$1.1 million (U.S. \$0.9 million) in respect of mortgages repayable in U.S. funds.
- (e) Industrial revenue bonds are secured by the assets they finance.
- (f) The rate of interest on these bonds is calculated by reference to the rates applicable to the short-term tax-exempt securities of highly rated issuers. The average effective rate of interest on these bonds in 1987 was 4 $\frac{3}{4}$ %.
- (g) The capital lease obligations of \$9.8 million (U.S. \$7.5 million) are in respect of fixed assets financed by capital leases at interest rates of from 7% to 9%. The Company has the option to purchase the assets at the end of each lease, on payment of a nominal sum. The leases have various terms extending from 1988 to 1999.

The change during the year in long-term liabilities, including the current portion, was as follows:

<i>\$ millions</i>	1987	1986
Balance—beginning of year	\$128.7	\$102.2
Long-term liabilities of company acquired	10.0	—
New long-term liabilities	34.3	51.3
Repayment of long-term liabilities	(8.7)	(23.6)
Exchange rate adjustments	(3.9)	(1.2)
Balance—end of year	<u>\$160.4</u>	<u>\$128.7</u>

Estimated repayments over the next five years are as follows:

1988—\$2.7 million, 1989—\$16.7 million, 1990—\$18.0 million, 1991—\$16.2 million, 1992—\$1.6 million.

14. Other long term credits

<i>\$ millions</i>	1987	1986
Pension cost accrual (note 15)	\$ 1.7	\$ 1.1
Deferred investment tax credits	3.4	2.4
	<u>\$ 5.1</u>	<u>\$ 3.5</u>

15. Pension costs and obligations

The Company maintains defined benefit pension plans which provide retirement benefits for essentially all employees, based upon the length of service and, in certain cases, the final average earnings of the employee.

In accordance with the Accounting Recommendation of the Canadian Institute of Chartered Accountants ("CICA") on Pension Costs and Obligations, the Company determines its pension costs by the accrued benefit method of actuarial valuation.

The most recent actuarial valuations of the pension plans were made as of December 31, 1986, using management's estimates of the following principal assumptions:

Average return on plan assets	7.0% per annum
Average interest rate	7.0% per annum
Average increase in compensation rates	5.5% per annum

Those valuations produced an aggregate net surplus at December 31, 1986 of \$14.3 million, reflecting aggregate pension fund assets of \$72.3 million and aggregate actuarial present values of accrued pension benefits of \$58.0 million.

Management has since revised its estimates of both the average return on plan assets and the average interest rate from 7.0% to 7.5%. This change in estimates has been applied prospectively from January 1, 1987 in calculating pension cost for the year and has had the effect of decreasing the cost by \$0.8 million. Reflecting this change and extrapolating from the most recent actuarial valuations produced a net surplus at December 31, 1987 of \$10.4 million reflecting aggregate pension fund assets of \$72.4 million and aggregate actuarial present values of pension fund benefits of \$62.0 million.

The pension cost for the year ended December 31, 1987 was \$4.5 million (1986 – \$3.4 million). This includes amortization of both the initial surplus arising from adoption of the CICA's Recommendation in 1986 and from experience gains arising thereafter, over periods of from thirteen to seventeen years, representing the expected average remaining service lives of the relevant employee groups, as follows:

<i>\$ millions</i>	1987	1986
Current service cost	\$ 5.4	\$ 5.2
Interest on pension fund assets net of interest on accrued pension benefits	(0.1)	(0.8)
Amortization of initial surplus on adoption of the CICA recommendation in 1986	(0.6)	(1.0)
Amortization of net experience gains since adoption of the CICA recommendation	(0.2)	—
	<u>\$ 4.5</u>	<u>\$ 3.4</u>

The pension cost accrual at December 31, 1987 consisted of the balance of pension account transactions prior to the adoption of the CICA's Recommendation in 1986, adjusted for cash contributions and pension costs recorded thereafter, as follows:

<i>\$ millions</i>	1987	1986
Balance—beginning of year	\$ 1.1	\$ 2.7
Pension cost for the year	4.5	3.4
Cash contributions during the year	(3.9)	(5.0)
Balance—end of year	<u>\$ 1.7</u>	<u>\$ 1.1</u>

16. Capital stock

Authorized share capital:

The authorized share capital of the Company consists of an unlimited number of preferred shares of no par value, issuable in series, and an unlimited number of common shares of no par value.

Issued share capital:

There are no issued preferred shares.

The issued and fully paid common shares of the Company increased during the year as follows:

<i>thousands of shares/\$ millions</i>	Shares	1987	1986
Balance – beginning of year	48,970	\$115.6	\$115.2
Exercise of stock options	38	0.2	0.4
Balance – end of year	49,008	\$115.8	\$115.6

The weighted average number of shares outstanding during the year was 48,993,000 (1986 – 48,939,000).

Stock options:

At December 31, 1987, stock options were outstanding in respect of 454,000 common shares of the Company. These options are exercisable by the holders (some of whom are Directors or Officers of the Company) at from \$3³/₈ to \$14⁵/₈ per share and expire on various dates from 1988 to 1994.

17. Currency translation account

<i>\$ millions</i>	1987	1986
Balance – beginning of year	\$ 20.1	\$ 22.7
Translation of balance sheets of self-sustaining foreign operations	(15.2)	(3.4)
Translation of foreign currency loans hedging net investment in foreign operations	2.6	0.8
Balance – end of year	\$ 7.5	\$ 20.1

18. Commitments and contingencies

Minority shareholders in three subsidiaries have the option to require the Company to purchase their shareholdings at prices based on the earnings of these companies. In respect of two subsidiaries, the options were not yet exercisable at December 31, 1987 and hence the total potential cost cannot be determined. For the subsidiary in respect of which the option was already exercisable, the cost based on earnings to December 31, 1987 would be approximately \$6.7 million.

The Company is a defendant in various lawsuits as at December 31, 1987 and while the amount of any ultimate liability cannot be determined, management is of the opinion that there will be no material adverse effect on the Company's financial position.

At December 31, 1987, capital commitments in respect of fixed asset additions amounted to \$41.6 million.

19. Related party transactions

There were no material transactions during the year between the Company and related parties.

20. Restatement of comparative figures

Comparative figures have been restated where appropriate to conform to the current year's presentation.

Segmented information

for the year ended December 31, 1987

By industry segment

	Total		Residential construction		Non-residential construction		Industrial	
\$ millions	1987	1986	1987	1986	1987	1986	1987	1986
Total sales	\$1,116.6	\$1,069.1	\$468.8	\$443.3	\$194.3	\$209.3	\$453.5	\$416.5
Inter-segment sales	(28.9)	(27.9)	(0.1)	(0.2)	(6.2)	(7.6)	(22.6)	(20.1)
External sales	1,087.7	1,041.2	468.7	443.1	188.1	201.7	430.9	396.4
% change	+4.5%		+5.8%		-6.7%		+8.7%	
% of total external sales	100%	100%	43.1%	42.5%	17.3%	19.4%	39.6%	38.1%
Operating profit	109.6	108.0	44.1	46.6	13.7	10.8	51.8	50.6
% change	+1.5%		-5.4%		+26.9%		+2.4%	
% of total operating profit	100%	100%	40.2%	43.1%	12.5%	10.0%	47.3%	46.9%
Operating profit % of external sales	10.1%	10.4%	9.4%	10.5%	7.3%	5.4%	12.0%	12.8%
Identifiable assets	678.2	546.7	283.5	224.9	137.1	110.2	257.6	211.6
% of total identifiable assets	100%	100%	41.8%	41.1%	20.2%	20.2%	38.0%	38.7%
Depreciation and amortization	25.1	24.3	7.2	6.7	5.0	5.1	12.9	12.5
Capital expenditures	82.9	47.7	7.7	10.4	34.9	6.9	40.3	30.4

— Operating profit reconciles with earnings before income taxes as follows:

\$ millions	1987	1986
Operating profit	\$109.6	\$108.0
Consolidation eliminations	(1.3)	0.6
Corporate expense	(6.8)	(6.0)
Interest expense	(13.0)	(11.7)
Earnings before income taxes	\$ 88.5	\$ 90.9

— Identifiable assets reconcile with total assets as follows:

\$ millions	1987	1986
Identifiable assets	\$678.2	\$546.7
Consolidation eliminations	(95.8)	(43.0)
Corporate assets	40.9	44.9
Total assets	\$623.3	\$548.6

By geographic segment

	Total		Canada		United States	
<i>\$ millions</i>	1987	1986	1987	1986	1987	1986
Total sales	\$1089.9	\$1,043.4	\$489.7	\$451.5	\$600.2	\$591.9
Inter-segment sales	(2.2)	(2.2)	(1.3)	(1.9)	(0.9)	(0.3)
External sales	1,087.7	1,041.2	488.4	449.6	599.3	591.6
% change	+4.5%		+8.6%		+1.3%	
% of total external sales	100%	100%	44.9%	43.2%	55.1%	56.8%
Operating profit	109.6	108.0	65.1	63.5	44.5	44.5
% change	+1.5%		+2.5%		—	
% of total operating profit	100%	100%	59.4%	58.8%	40.6%	41.2%
Operating profit % of external sales	10.1%	10.4%	13.3%	14.1%	7.4%	7.5%
Identifiable assets	678.2	546.7	272.5	223.0	405.7	323.7
% of total identifiable assets	100%	100%	40.2%	40.8%	59.8%	59.2%
Depreciation and amortization	25.1	24.3	10.2	9.3	14.9	15.0
Capital expenditures	82.9	47.7	41.4	23.6	41.5	24.1

— The segmented information reflects the classes of business determined by the Directors:

Residential construction:	Products for use in residential construction, including new housing and home improvement.
Non-residential construction:	Products for use in industrial, commercial, institutional and agricultural construction.
Industrial:	Products principally for incorporation as parts or sub-assemblies in industrial products.

— Canadian export sales, primarily to customers in the United States, were \$199.8 million (1986 — \$189.8 million) and represented 40.9 % (1986 — 42.2 %) of Canadian external sales of \$488.4 million (1986 — \$449.6 million).

— Inter-segment sales are accounted for at prices comparable to open market prices.

Quarterly financial information (unaudited)

for the year ended December 31, 1987

Indal Limited

	Sales		Gross profit		Gross profit percentage	
<i>\$ millions</i>	1987	1986	1987	1986	1987	1986
First quarter	\$ 237.1	\$ 221.7	\$ 55.1	\$ 51.8	23.2%	23.4%
Second quarter	272.4	265.7	66.8	66.2	24.5	24.9
Third quarter	292.9	284.6	74.4	76.1	25.4	26.7
Fourth quarter	285.3	269.2	73.2	73.9	25.7	27.5
	<u>\$1,087.7</u>	<u>\$1,041.2</u>	<u>\$269.5</u>	<u>\$268.0</u>	<u>24.8</u>	<u>25.7</u>

	Net earnings		Earnings per share		Dividends per share	
<i>\$ millions except per share data</i>	1987	1986	1987	1986	1987	1986
First quarter	\$ 7.1	\$ 5.4	\$ 0.15	\$ 0.11	\$ 0.10	\$ 0.10
Second quarter	12.0	11.5	0.24	0.24	0.10	0.10
Third quarter	15.5	15.0	0.32	0.30	0.10	0.10
Fourth quarter	15.9	17.3	0.32	0.36	0.10	0.10
	<u>\$ 50.5</u>	<u>\$ 49.2</u>	<u>\$ 1.03</u>	<u>\$ 1.01</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

	Market price of common shares				Thousands of shares traded	
	High	Low				
<i>\$ except numbers of shares</i>	1987	1986	1987	1986	1987	1986
First quarter	\$ 16 ³ / ₈	\$ 12 ³ / ₄	\$ 12 ¹ / ₄	\$ 9 ¹ / ₄	2,047	1,164
Second quarter	15 ³ / ₄	18 ¹ / ₄	12 ¹ / ₄	12 ³ / ₄	1,580	2,194
Third quarter	15 ³ / ₄	16 ¹ / ₂	11 ³ / ₄	13 ¹ / ₂	1,608	1,470
Fourth quarter	12 ³ / ₈	14 ¹ / ₄	7 ¹ / ₂	11 ¹ / ₂	1,707	1,915
	<u>\$ 16³/₈</u>	<u>\$ 18¹/₄</u>	<u>\$ 7¹/₂</u>	<u>\$ 9¹/₄</u>	<u>6,942</u>	<u>6,743</u>

Notes:

- Sales, gross profits and gross profit percentages for the first three quarters of 1986 have been restated to exclude figures for operations disposed of or discontinued during that year.
- 1986 net earnings have been restated to reflect a prior period adjustment.
- High and low market prices reflect prices quoted on The Toronto Stock Exchange.

- The number of shares traded reflects the combined volume of shares traded on the Toronto and Montreal stock exchanges.
- Fully diluted earnings per share are the same as basic earnings per share except in the fourth quarter of 1986 and for the full year 1986, in respect of which they were \$0.35 and \$1.00 respectively.

Peachtree Doors, Inc. which is a leading producer of high-quality wood windows, patio doors and insulated steel entry doors in the United States, continues to invest in advanced technology equipment at its plants in Norcross and Gainesville, Georgia and St. Joseph, Missouri. Minerva Beck (opposite) works on a sash glazing machine at the company's Gainesville window plant.



Ten-year financial information

\$ millions except per share information		1987	1986
Operating results			
Sales		\$1,087.7	\$1,041.2
Gross profit		269.5	268.0
Percentage gross profit		24.8%	25.7%
Earnings before income taxes		88.5	90.9
Earnings before income taxes as a percentage of sales		8.1%	8.7%
Net earnings		50.5	49.2
Dividends on preferred shares		—	—
Dividends on common shares		19.6	19.6
Financial position			
Net assets:			
Working capital		185.4	161.6
Long-term investment		6.9	—
Fixed assets		233.6	172.0
Intangible assets		53.5	35.6
Total net assets		479.4	369.2
Funds employed:			
Common shareholders' equity		294.0	275.5
Preferred shares		—	—
Net borrowings		146.7	62.7
Deferred income taxes, minority interests and other long-term credits		38.7	31.0
Total funds employed		479.4	369.2
Current ratio		2.5:1	2.9:1
Net borrowings as a percentage of total funds employed		30.6%	17.0%
Average working capital as a percentage of sales		16.9%	17.2%
Percentage return of earnings before interest and income taxes on average total funds employed		23.2%	27.0%
Percentage return of net earnings on average common shareholders' equity		17.7%	18.8%
Results and financial position per share			
Earnings per share		\$1.03	\$1.01
Dividends per share		0.40	0.40
Book value per share		6.00	5.62
Cash flow			
Purchase of fixed assets		85.6	49.5
Depreciation and amortization of fixed assets		26.3	25.3
Net cash inflow/(outflow) before dividends on common shares		(32.7)	67.9
Common shares outstanding (millions)			
During year (weighted average, adjusted for stock splits)		49.0	48.9
At year end		49.0	49.0

- Notes:
- Average working capital as a percentage of sales is calculated using the average of opening and closing working capital, and sales for the year. For the purpose of this calculation, income taxes payable and deferred income taxes relating to current items are added back to working capital as stated in the above table.
 - Percentage return on average total funds employed is calculated using earnings before interest and income taxes and the average of opening and closing total funds employed.
 - Percentage return on average common shareholders' equity is calculated using net earnings after preferred dividends and the average of opening and closing common shareholders' equity.

1985	1984	1983	1982	1981	1980	1979	1978
\$930.7	\$834.8	\$694.9	\$565.1	\$583.5	\$442.6	\$450.1	\$363.3
239.3	211.7	173.6	129.3	144.9	109.6	116.3	92.5
25.7 %	25.4 %	25.0 %	22.9 %	24.8 %	24.8 %	25.8 %	25.5 %
75.8	59.1	37.3	6.6	27.3	26.4	38.7	27.5
8.1 %	7.1 %	5.4 %	1.2 %	4.7 %	6.0 %	8.6 %	7.6 %
40.4	32.9	22.9	2.5	11.9	15.2	23.0	13.3
—	1.8	1.9	2.6	2.5	2.2	1.8	1.1
14.7	12.6	5.3	4.3	7.7	7.7	6.7	3.6
167.8	148.5	164.1	141.6	149.7	115.3	120.9	103.5
—	—	—	—	—	—	—	—
159.9	138.3	122.8	126.5	119.0	105.5	94.9	76.6
36.3	31.5	31.2	33.8	34.1	31.9	31.2	31.2
364.0	318.3	318.1	301.9	302.8	252.7	247.0	211.3
248.1	213.0	155.4	123.1	125.6	123.8	121.7	107.9
—	—	25.0	25.0	25.0	25.0	25.0	25.0
84.5	82.6	122.0	144.3	132.6	83.1	80.6	60.3
31.4	22.7	15.7	9.5	19.6	20.8	19.7	18.1
364.0	318.3	318.1	301.9	302.8	252.7	247.0	211.3
2.7:1	2.6:1	2.5:1	2.0:1	2.3:1	2.8:1	2.4:1	3.0:1
23.2 %	26.0 %	38.4 %	47.8 %	43.8 %	32.9 %	32.6 %	28.5 %
19.0 %	20.8 %	23.4 %	26.9 %	22.2 %	25.6 %	23.3 %	22.4 %
23.5 %	20.8 %	17.9 %	8.4 %	14.0 %	14.7 %	22.9 %	21.9 %
17.5 %	16.8 %	15.1 %	—	7.5 %	10.6 %	18.5 %	15.1 %
\$0.83	\$0.69	\$0.50	\$ —	\$0.24	\$0.34	\$0.55	\$0.46
0.30	0.27 ^{1/2}	0.12 ^{1/2}	0.11 ^{1/4}	0.20	0.20	0.17 ^{1/2}	0.14
5.08	4.38	3.65	3.19	3.26	3.22	3.17	2.82
35.3	30.5	15.9	22.9	22.5	21.8	32.9	20.2
22.0	18.0	16.3	15.9	14.7	12.0	10.9	8.2
14.6	31.6	26.8	8.4	(17.0)	23.0	(15.3)	35.7
48.8	45.0	41.8	38.6	38.5	38.4	38.3	26.7
24.4	24.3	21.3	9.7	9.6	9.6	9.6	9.6

—Figures prior to 1987 have been restated to reflect a prior period adjustment.

—Figures prior to 1986 have been restated to reflect the 2 for 1 stock split in May 1986. Figures prior to 1983 have also been restated to reflect the 2 for 1 stock split in that year.

New manufacturing plants

The Company's two new aluminum extrusion plants and its new auto-parts plant, on which construction began in 1986, commenced production in 1987, and construction of two specialty glass processing plants began during the year. These five new plants—three in Canada and two in the United States—are important elements in Indal's plans for ensuring the continued quality growth of earnings in the 1990's.

Aluminum extrusion plants

Phase one of Indalex Division's new 260,000 sq. ft. plant in Mississauga, Ontario was completed in mid-year and the plant went into production in stages during the third and fourth quarters. Phase two, which involves the expansion of the building and the installation of additional press capacity, will be completed during 1988. The new plant, which will ultimately replace the original Indalex plant in Toronto, will have substantially higher capacity, and is expected to achieve significant quality improvements, productivity gains and inventory reductions. Results to date are in line with expectations.

Phase one of Indal Extrusion Division's new 115,000 sq. ft. plant in Gainesville, Georgia was completed in the third quarter and the plant went into production at the beginning of the fourth quarter. Phase two, which likewise involves the expansion of the building and the installation of additional press capacity, will be completed early in 1989. In phase one, the plant is producing high-quality extrusions for the window lines of Peachtree Doors, Inc.—previously supplied by independent extruders. In phase two, high-quality extrusions will be produced for customers outside the group.

Indal's new Mississauga and Gainesville plants are considered to be the most modern aluminum extrusion

plants in North America. Both plants produce painted extrusions of superior quality.

Auto-parts plant

Fabricated Steel Products Division's new 54,000 sq. ft. plant in Ridgeway, Ontario was completed and went into production during the second quarter of the year. Stampings and assemblies produced at this plant are principally for General Motors and Chrysler Corporation. The plant, which makes extensive use of robotics and quick die change equipment, is already setting high standards in terms of quality and efficiency. Additional press capacity is being installed in 1988 and will be added as required thereafter.

Specialty glass processing plants

In June 1987, the Company announced the formation of a new division—Indalglass—and plans for the construction of a 267,000 sq. ft. specialty glass processing plant in Mississauga, Ontario to continue, integrate and expand the glass tempering and processing operations of Tempglass Division in Toronto and the glass laminating and bending operations of Lamilite Limited in Orangeville, Ontario. Also located at the new facility would be a joint venture company, owned 51% by PPG Canada Inc., a subsidiary of PPG Industries, Inc. in the United States, and 49% by Indal Limited. The new company, to be managed by Indalglass Division, would supply the requirements of PPG Canada Inc. and Indalglass Division for coated and insulated glass. Technical services would be supplied by PPG Canada Inc.

The Indalglass plant in Mississauga, Ontario nearing completion in December 1987.





Construction of the building was nearing completion at year end and has since been completed. The tempering, coating and insulating equipment is being installed during the first quarter of 1988 and transfer of the laminating and bending equipment will take place early in the second quarter. The tempering, coating and insulating lines are expected to be in operation by the end of the first quarter, and the laminating and bending lines are expected to be in operation in the new facility early in the second quarter.

In September 1987, the Company also announced plans for the construction of a new 380,000 sq. ft. specialty glass processing plant in Buford, Georgia for its Tempglass Eastern, Inc. subsidiary. Construction of the new plant began in 1987 and will be completed towards the end of 1988. The glass tempering and processing operations and equipment of Tempglass Eastern, Inc. will be transferred from the existing plant in Norcross, Georgia, and capacity will be substantially increased by the addition of new high-speed tempering and processing equipment. Like the Mississauga plant, the Buford plant will have a coating line and an automated insulating line. The new plant will supply tempered, coated and insulated glass to the nearby Gainesville and Norcross window and patio door plants of Peachtree Doors, Inc., and to Tempglass Eastern's customers in residential and non-residential construction and consumer-products markets in the Southeastern United States.

Construction of the two new plants in Mississauga and Buford reflects Indal's commitment as a leading supplier of specialty glass products to the construction industry in North America. In particular, these two new

The new Tempglass Eastern plant in Buford, Georgia under early construction in December 1987.

plants will enable Indal to supply customers in both Canada and the United States with low-emissivity (low-E) coated glass for residential and non-residential applications and high-performance coated architectural glass for non-residential applications. Low-E coatings reduce heat transmission through windows and glass doors. In cold weather, internal radiant heat waves are reflected back inside, thus reducing heat loss and heating requirements, and in warm weather, external radiant heat waves which would otherwise enter the building are reflected away, thus reducing heat gain and air-conditioning requirements. Low-E coatings are virtually invisible, and so do little to impede the passage of natural light. They also improve comfort in the home by reducing drafts around windows, reducing glass condensation, and limiting fabric fading. The use of low-E coatings on residential glass is of relatively recent origin and its use is expected to grow very rapidly for some considerable time to come. High-performance architectural coatings impede the passage of radiated heat from the sun, thereby reducing air-conditioning costs, without unduly reducing natural light transmission. Their use is primarily on non-residential buildings in locations subject to warm weather conditions.

The two new glass processing plants are being constructed at a combined cost of \$75 million. Total cost of construction of the five new plants detailed above will be \$130 million, of which \$70 million was spent in 1986 and 1987 and the balance of \$60 million will be spent in 1988.

Calgary

1988 is Calgary's year, with the city having hosted the Winter Olympic Games in February.

Calgary is a major focus of Indal's operations in Western Canada. Indal Building Products Division, with locations in all the western provinces, has its principal manufacturing plant in Calgary; Indalex Division has an extrusion plant in Calgary; Indal Metals Division has a distribution centre and sales office in the city; and Commercial Aluminum Division has a sales office. Indal Wall Systems Ltd. supplied and installed the curtainwall and window systems for some of the outstanding buildings in Calgary's downtown core, such as the Hanover Building, the Cadillac Fairview Office Building, the Petro Canada Centre, and the Sun Life and Esso Plazas.

Indal's divisions and subsidiaries supplied products used in the construction of many of the buildings connected with the Winter Olympic Games. Among other projects, Indal Building Products supplied doors and windows for the Kananaskis

Motor Inn and The Lodge at Kananaskis near Mount Allan, where the downhill ski events were held, and for the race timing building at the Canmore Nordic Event location near Banff; Indal Metals Division supplied steel decking and cladding for the ski-jump and ski-lift buildings at Olympic Park in Calgary and at Mount Allan, steel decking for additional seating at the Saddledome arena in the city, and linear ceiling and soffit at the new University of Calgary student housing complex used by the athletes competing at the Games; Commercial Aluminum Division supplied aluminum window sections used in the construction of the bobsled and luge building, the ski-jump observation building, the refrigeration building and the Olympic Hall of Fame at Calgary Olympic Park; and Indalex Division supplied aluminum extrusions to Indal operations and other customers engaged on projects connected with the Games.

It is anticipated that the Alberta economy will continue to grow in 1988 and Indal's operations there are expected to have a good year.





Historical review

This brief account of Indal's development to date is provided for new shareholders and others who may not be familiar with the Company's history.

Overview

Indal was incorporated in 1964 as the wholly-owned subsidiary of a United Kingdom publicly quoted company which was acquired in 1970 by The RTZ Corporation PLC and subsequently renamed R.T.Z. Pillar Limited. The first public issue of Indal's common shares was in 1969 and the listing of its shares on the Toronto and Montreal stock exchanges dates from that time. Since then there have been several share issues and the stock has been split on a 2 for 1 basis on three occasions. R.T.Z. Pillar Limited remains the Company's principal shareholder, beneficially holding 61.6% of the issued and fully paid common shares. The balance is held by institutional and individual investors, principally in Canada.

Indal has grown both through new ventures and by acquisition, but with the greater part of its growth coming from the subsequent expansion of earlier successful investments. Operations established or acquired have generally added to the Company's product range or extended existing products to new markets. Some investments have also been made in order to broaden the Company's industrial base. The Company's development has been in products for residential and non-residential construction markets and for a wide range of industrial markets, including automotive and design engineering. The Company's principal raw materials are aluminum, glass, steel, vinyl and wood, and from them Indal manufactures products for the markets mentioned above, using processes such as extruding, stamping, casting, cold rollforming, tempering, woodworking and fabrication.

Stages of growth

In reviewing the Company's development to date, four stages of growth can be identified.

Stage 1

Stage 1 reflects the period from 1964 to approximately 1970. The Company's initial acquisitions in 1964 were in the extruding of aluminum and the cold rollforming of steel. The Indalex Division (with plants today in Montreal, Toronto, Mississauga, Calgary and Port Coquitlam) and the Indal Metals Division (operating today in Edmonton, Calgary, Mississauga, Winnipeg, Regina, Saskatoon and Vancouver) date back to these beginnings. Subsequent acquisitions in Stage 1 were

principally in areas related to one or other of these two processes, and the establishment of the Alumiprime and C.R. Metal Products divisions and the acquisition of the Commercial Aluminum, Fasco and Lite Metals divisions in Ontario date from this period. Products in Stage 1 were principally aluminum extrusions and cold rollformed steel and products fabricated from these materials, such as residential and non-residential aluminum windows, doors, entrance systems, and curtainwall; aluminum ladders; and cold rollformed industrial roofing and siding for the agricultural, mining and forest industries.

Stage 2

Stage 2 marked the expansion of the Company into product areas representing some measure of diversification. Stages 1 and 2 overlapped, with Stage 2 reflecting the period from 1968 to approximately 1975. In 1968 Indal acquired its design engineering operation, Indal Technologies Inc. in Mississauga, Ontario, which today manufactures structural aluminum products, shipboard helicopter hangars, helicopter hauldown and rapid securing systems and wind turbines. Indal Furniture Systems Division in Toronto, manufacturing office partition systems, was established in 1969. Indal Building Products Division (with operations today in Calgary, Edmonton, Medicine Hat, Red Deer, Winnipeg, Regina, Saskatoon, Port Coquitlam, Kelowna, Nanaimo and Victoria) and McKnight Window Industries Division in Toronto, came into the group in 1969 and 1971 respectively, marking the Company's entry into the field of residential wood windows.

In 1972 Indal's acquisition of its Fabricated Steel Products Division (with plants today in Ridgetown and Windsor, Ontario) marked the Company's entry into the field of automotive stampings and fabricated products. In that year Indal Wall Systems Ltd. in Winnipeg joined the group. Indal Wall Systems manufactures and installs curtainwall and specialty systems. In 1973 further product diversification took place when Indal established the business which today operates as Peachtree Doors Canada Division, manufacturing residential steel entry door systems. In 1974 Indal added glass tempering to its industrial processes with the formation of its Tempglass Division in Toronto. In 1975 the Indalloy Division in Toronto was established to recycle aluminum scrap.

These acquisitions and new ventures in Stage 2 not only added considerable breadth to the Company's product range but also contributed to the continuing growth of the original Stage 1 businesses.

Stage 3

Stages 2 and 3 also overlapped to some extent, with Stage 3 representing the period from 1973 to 1981 during which Indal extended operations to the United States. The first step was taken in 1973 with the establishment of a zinc die casting operation, North American Die Casting Corp., in Fredericksburg, Virginia. During the years that followed, Indal acquired or established operations in the United States in many of the product areas in which it had developed in Canada in Stages 1 and 2.

The most important acquisitions in the United States during this period were Peachtree Doors, Inc. (with plants today in Gainesville and Norcross, Georgia and St. Joseph, Missouri) and Better-Bilt Aluminum Products Co. (with plants today in Smyrna, Tennessee and Prescott, Arizona). Both companies were acquired in 1978 and are today major operations selling to the housing industry in the United States. Peachtree Doors manufactured entry and patio doors when acquired, and in 1979 Indal expanded its operations with the establishment of a new wood processing and high quality wood window manufacturing plant in Gainesville, Georgia. In 1981 Indal also expanded Better-Bilt's operations with the establishment of the plant in Prescott, Arizona to serve western markets in the United States. Better-Bilt manufactures prime and replacement aluminum doors and windows.

Between 1976 and 1980 Indal established four glass tempering operations in the United States: Tempglass, Inc. in Ohio, Tempglass Eastern, Inc. in Georgia, Tempglass Southern, Inc. in Texas and Tempglass Western, Inc. in California. In 1977 Mideast Aluminum Industries Division, with aluminum extrusion and fabrication operations in New Jersey and Pennsylvania, came into the group.

In 1981 Indal acquired its Indal Aluminum, Indal Aluminum Gulfport and Tubelite divisions from their previous owner. These divisions (in California, Mississippi and Michigan respectively) recycle, extrude and fabricate aluminum products for residential, non-residential and many industrial markets. Indal Tool Inc. was formed in 1984 in Illinois to manufacture extrusion dies for Indal's extrusion plants in Canada and the United States.

Stage 4

Since 1983, emphasis has been on the rationalization and divestment of those operations in both Canada and the United States which have not been, or have not remained, sufficiently successful or have not been in the mainstream of Indal's development; and on a new phase of expansion, through the establishment of new state-of-the-art plants, and by acquisition.

In 1985 Indal acquired two small companies in Ontario: Lamilite Limited, which laminated glass, and Brampton Foundries Limited, which produces castings for general industrial applications respectively.

In 1987 Indal acquired Season-All Industries, Inc., with three plants in Pennsylvania and one in Mississippi, producing custom vinyl and aluminum replacement windows for residential and non-residential markets in the United States, and two new extrusion plants were established – in Mississauga, Ontario for Indalex Division and in Gainesville, Georgia, for the new Indal Extrusion Division. A new auto-parts plant was established in Ridgetown, Ontario, for Fabricated Steel Products Division, and construction of two new specialty glass processing plants was started – in Mississauga, for the new Indalglass Division, to absorb the activities of Tempglass Division and Lamilite Limited, and in Buford, Georgia, for Tempglass Eastern, Inc.

Many of Indal's operations have been acquired in stages from their previous owner-managers. Wherever possible, Indal has sought to initially acquire only a majority interest, with the previous owners continuing as management and as minority partners, with put options on their minority shareholdings. Most of these minority interests have now been acquired by the Company, as a result of these put options having been exercised.



Principal operating divisions and subsidiaries

Canada

Residential

Alumiprime Division,
Toronto, Ont.

H. Lazar, President

Aluminum prime windows and patio doors

Fasco Products Division,
Toronto, Ont.

J. E. Faveri, President

*Storm and patio door hardware and
aluminum home improvement products*

Indal Building Products Division,
Calgary, Edmonton, Medicine Hat
and Red Deer, Alta.; Winnipeg,

Man.; Regina and Saskatoon,
Sask.; and Port Coquitlam, Kelowna,
Nanaimo and Victoria, B.C.

C. M. Kline, Chairman

A. J. Rankin, President and Chief
Executive Officer

*Aluminum, vinyl and wood prime windows,
patio doors and insulating glass units*

Indal Furniture Systems Division,
Toronto, Ont.

A. W. Stokes, President

*Office panel systems, furniture
components and acoustic office screens*

Lite Metals Division,
Mississauga, Ont.

R. A. Englhardt, Vice-President
and General Manager

Aluminum ladders

McKnight Window Industries
Division, Toronto, Ont.

D. R. Williams, President

Wood and vinyl windows and doors

Peachtree Doors Canada Division,
Toronto, Ont.

J. W. Rooney, Vice-President
and General Manager

*Residential insulated steel entry door
systems*

Non-residential

C. R. Metal Products Division,
Toronto, Ont.

G. Berdan, President

Cold rollformed metal products

Commercial Aluminum Division,
Toronto, Ont. and Calgary, Alta.

B. R. Leaman, President

*Aluminum store fronts, entrances,
window systems and curtainwall*

Indal Metals Division,
Edmonton and Calgary, Alta.;

Mississauga, Ont.; Winnipeg,
Man.; Regina and Saskatoon,
Sask.; and Vancouver, B.C.

R. N. Benson, President

*Cold rollformed steel and aluminum
products including industrial and
agricultural roofing and siding and grain
storage bins*

Indal Wall Systems Ltd.,
Winnipeg, Man.; and

Toronto, Ont.

R. K. Waldron, Chairman and
Chief Executive Officer

H. R. Resar, President

Curtainwall and specialty systems

Indalglass Division,
Mississauga, Ont.

I. R. Moore, President

*Glass tempering, laminating, bending and
processing; coated and insulated glass*

Industrial

Brampton Foundries Limited,
Brampton, Ont.

(87.5% owned)

J. W. Wright, Chairman and
Chief Executive Officer

*Aluminum castings for general industrial
applications*

Fabricated Steel Products Division,
Windsor and Ridgetown, Ont.

J. R. Davidson, President and
Chief Executive Officer

*Automotive stampings and fabricated
auto parts*

Indal Technologies Inc.,
Mississauga, Ont.

G. R. Rutledge, President and
Chief Executive Officer

*Design engineering, structural products,
shipboard helicopter hangars, helicopter
hoistdown and rapid securing systems and
wind turbines*

Indalex Division,
Mississauga and Toronto, Ont.;

Montreal, P.Q.; Calgary, Alta.;

and Port Coquitlam, B.C.

K. B. Carruthers, President

*Aluminum extrusions, finishing and
fabrication*

Indalloy Division,
Toronto, Ont.

L. Kozierok, President

Aluminum recycling and billet casting

United States

Better-Bilt Aluminum Products Co.,
Smyrna, TN; and Prescott, AZ
L. M. Moffatt, President
*Aluminum patio and storm doors,
aluminum prime and storm windows and
aluminum screen doors*

North American Die Casting Corp.,
Fredericksburg, VA
S. H. Ruderfer, President
Zinc die cast products

Peachtree Doors, Inc.,
Norcross and Gainesville, GA;
and St. Joseph, MO
(90% owned)
J. R. Hewell, Jr., Chairman and
Chief Executive Officer
C. B. Jennings, Jr., President and
Chief Operating Officer
Residential windows and doors

Season-All Industries, Inc.,
Indiana, Pittsburgh, Punxsutawney
and Yatesboro, PA; Clearwater, FL;
Landover, MD; and Pelahatchie, MS
(80% owned)
F.R. Gorell, President and
Chief Executive Officer
*Vinyl and aluminum residential and
commercial replacement windows, and
aluminum storm windows and doors*

Indal Wall Systems Inc.,
Chicago, IL
R. K. Waldron, Chairman and
Chief Executive Officer
H. R. Resar, President
Curtainwall and specialty systems

Tempglass, Inc.,
Perrysburg, OH
I. D. Fintel, President and Chief
Executive Officer
*Glass tempering, laminating, insulating
and processing*

Tempglass Eastern, Inc.,
Norcross and Buford, GA
J. G. Mulvanerty, President
*Glass tempering, coating, insulating
and processing*

Tempglass Southern, Inc.,
Grand Prairie, TX
G. L. Christman, President
*Glass tempering, laminating, insulating
and processing*

Tempglass Western, Inc.,
Fremont, CA
R. B. Kolberg, President
Glass tempering and processing

Tubelite Division of Indal Inc.,
Reed City, MI; New York, NY;
and Denver, CO
P. J. Leonardi, President
*Aluminum store fronts, entrances,
revolving doors and curtainwall*

Indal Aluminum Division
of Indal Inc., City of Industry and
City of Commerce, CA
J. B. Teets, President
*Aluminum recycling and billet casting,
and aluminum extrusions and fabrication*

Indal Aluminum Gulfport Division
of Indal Inc., Gulfport, MS
D. R. DeLano, President
*Aluminum recycling and billet casting,
and aluminum extrusions and fabrication*

Indal Extrusion Division
of Indal Inc.,
Gainesville, GA
T. P. Johnson, President
Aluminum extrusions and finishing

Indal Tool, Inc.,
Elgin, IL
T. A. Jones, General Manager
Extrusion dies

Mideast Aluminum Industries
Division of Indal Inc.,
Dayton, NJ; and Mountaintop, PA
J. K. Casey, President
*Aluminum extrusions, finishing and
fabrication*

Directory of Indal locations

Canada

Alberta

Calgary
Commercial Aluminum*
(403) 291-2448
Indal Building Products
(403) 272-8871
Indal Metals*
(403) 287-0081
Indulex
(403) 279-1080

Edmonton
Indal Building Products*
(403) 468-9113
Indal Metals
(403) 462-5100

Medicine Hat
Indal Building Products*
(403) 526-2520

Red Deer
Indal Building Products*
(403) 346-5189

British Columbia

Kelowna
Indal Building Products*
(604) 860-3439

Nanaimo
Indal Building Products*
(604) 758-3907

Port Coquitlam
Indal Building Products
(604) 524-2231

Indulex
(604) 942-6604

Vancouver
Indal Metals
(604) 946-8382

Victoria
Indal Building Products*
(604) 380-1434

Manitoba

Winnipeg
Indal Building Products*
(204) 694-1893

Indal Metals*
(204) 736-4489
Indal Wall Systems
(204) 452-8007

Ontario

Brampton
Brampton Foundries
(416) 453-6044

Mississauga
Indal Metals
(416) 678-2951
Indal Technologies
(416) 275-5300

Indulex
(416) 890-8821
Indalglass
(416) 672-6720

Lite Metals
(416) 678-7230

Ridgetown
Fabricated Steel Products
(519) 674-0711

Toronto
Alumiprime
(416) 630-5700

C.R. Metal Products

(416) 746-0602
Commercial Aluminum
(416) 742-6731

Fusco Products
(416) 661-9281
Indal Furniture Systems
(416) 745-2244

Indal Wall Systems*
(416) 748-1922

Indulex
(416) 742-8821

Indalloy
(416) 743-1080
McKnight Window Industries
(416) 749-4000

Peachtree Doors Canada
(416) 745-4426

Windsor
Fabricated Steel Products
(519) 969-9580

Quebec

Montreal
Indulex
(514) 697-5120

Saskatchewan

Regina
Indal Building Products*
(306) 545-7977

Indal Metals*
(306) 949-7470

Saskatoon
Indal Building Products*
(306) 374-6100

Indal Metals
(306) 931-3300

United States

Arizona

Prescott
Better-Bilt Aluminum
Products
(602) 772-7000

California

City of Commerce
Indal Aluminum Products
(213) 728-7361

City of Industry
Indal Aluminum
(818) 964-3411

Fremont
Tempglass Western
(415) 651-2292

Colorado

Denver
Tubelite*
(303) 371-3110

Florida

Clearwater
Season-All Industries
(Thermal-Gard* Division)*
(813) 797-3949

Georgia

Buford
Tempglass Eastern
(404) 476-4123

Gainesville
Indal Extrusion
(404) 535-1349

Peachtree Doors
(404) 534-8070

Norcross
Peachtree Doors
(404) 497-2000

Peachtree Doors
(Atlanta Dist. Center)*
(404) 497-2400

Tempglass Eastern
(404) 476-4123

Illinois

Chicago
Indal Wall Systems*
(312) 551-9650

Elgin
Indal Tool
(312) 931-9100

Maryland

Landover
Season-All Industries*
(301) 322-1900
1 (800) 245-7872

Michigan

Reed City
Tubelite
(616) 832-2211

Mississippi

Gulfport
Indal Aluminum
(601) 863-2852
Pelahatchie
Season-All Industries
(412) 349-4600
1 (800) 245-7872

Missouri

St. Joseph
Peachtree Doors
(816) 238-2401

New Jersey

Dayton
Midwest Aluminum
Industries
(201) 329-8000

New York

New York
Tubelite*
(212) 589-8000

Ohio

Perrysburg
Tempglass, Inc.
(419) 666-2000

Pennsylvania

Indiana
Season-All Industries
(412) 349-4600
1 (800) 245-7872
Mountaintop
Midwest Aluminum Industries
(717) 474-5935

Pittsburgh
Season-All Industries*
(412) 922-9936
1 (800) 245-7872

Punxsutawney
Season-All Industries
(412) 349-4600
1 (800) 245-7872

Yatesboro
Season-All Industries
(412) 349-4600
1 (800) 245-7872

Tennessee

Smyrna
Better-Bilt Aluminum Products
(615) 459-4161

Texas

Grand Prairie
Tempglass Southern
(214) 647-4028

Virginia

Fredericksburg
North American Die Casting
(703) 371-9220

*Sales or distribution



Nanaimo

Vancouver

Kelowna

Port Coquitlam

Victoria

Edmonton

Red Deer

Saskatoon

Calgary

Regina

Medicine Hat

Winnipeg

Montreal

Brampton

Toronto

Mississauga

New York

Mountaintop

Dayton

Yatesboro

Landover

Fredericksburg

Pittsburgh

Chicago

Elgin

Perrysburg

Pittsburgh

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Pittsburgh

Denver

St. Joseph

Fremont

City of Commerce

City of Industry

Prescott

Smyrna

Buford

Gainesville

Norcross

Grand Prairie

Pelahatchie

Gulfport

Clearwater

Product and market terms

Aluminum castings: Castings produced for general automotive and industrial applications by aluminum die casting, permanent mould casting and sand casting.

Cladding: Steel and aluminum sheet produced in a variety of profiles by cold rollforming for use as roofing and siding on agricultural, commercial and industrial buildings.

Curtainwall: Windows, panels and frames assembled and affixed to the outer walls of multi-storey buildings.

Design engineering: Products designed and engineered for custom applications.

Die casting: Forcing molten metal under pressure into the cavities of moulds or dies that shape the metal to their pattern.

Helicopter hauldown and rapid securing systems: Systems engineered by Indal Technologies Inc. which enable helicopters to land safely on the flight decks of ships in rough seas and bad weather conditions.

High-performance architectural coatings: Coatings that modify reflection, absorption and transmission of selected wavelengths of light, reducing air-conditioning costs and providing pleasing aesthetic effects.

High-performance residential glass coatings: Coatings having the ability to reflect radiant heat, thereby reducing heat loss in winter and heat gain in summer. Generally called low-emissivity or low-E.

Insulated steel entry doors: Residential entry doors manufactured from stamped steel panels on a wood frame with a centre core of insulating material.

Insulating glass units: Energy-efficient products comprising two or three sheets of glass separated by metal spacers and thoroughly sealed, for use in windows and doors.

Replacement windows: Windows for installation in existing buildings to upgrade insulating characteristics and lower maintenance requirements.

Shipboard helicopter hangars: Hangars to house helicopters on the decks of ships.

Structural products: Steel and aluminum products engineered and fabricated to meet customer specifications, such as highway sign and rail signal supports.

Wind turbines: Wind-driven rotary blade systems producing the motive power for electrical generators.

Manufacturing and production terms

Aluminum log or billet casting: Pouring molten aluminum into long, vertical, cylindrical moulds which form the metal into log-shaped sections which are used in aluminum extruding in this form or cut into shorter lengths called billets.

Aluminum extruding: Forcing preheated and softened aluminum billet horizontally through a steel die under pressure from a hydraulic ram. The aluminum takes on the shape of the die as it emerges from the press and is cut into lengths for use in fabrication processes.

Aluminum recycling: Sorting and remelting aluminum scrap for aluminum log or billet casting, (see above)

Automotive stamping: Placing and punching metal blanks in punch presses containing dies, so that the processed blanks, called stampings, have the shape of the die.

Die: A press tool, usually made of steel, which matches within very close tolerances either two or three dimensions of a metal product and which imparts its shape to the metal passing through the press process. An extrusion die has the form of the two-dimensional extruded section; a pressure-casting die has the complete form of a three-dimensional product.

Glass bending: Softening glass sheets over a metal mould using heat and gravity to permit the glass to assume the shape of the mould.

Glass coating: Depositing thin layers of metal on the surface of glass in a vacuum chamber until a uniform coating is formed, thereby improving the thermal performance of the glass.

Glass insulating: Separating two or three sheets of glass using metal spacers and sealing them thoroughly to form energy-efficient products for use in windows and doors.

Glass laminating: Making safety glass by sandwiching and bonding an interlayer of clear, flexible material with two outer layers of plain or tempered glass. Can also be used to make multi-layer product for use as vandal-proof or bullet-resistant glass.

Glass tempering: Passing sheets of glass through a high-temperature furnace and then air-cooling them rapidly. This strengthens the glass and changes its molecular structure so that if broken, it will shatter into a myriad of tiny, crystal-like and relatively harmless fragments.

Permanent mould casting: Feeding molten metal into a steel mould by gravity.

Quick die change equipment: Equipment, systems and procedures enabling punch presses to be changed over from production of one auto part to production of another in a minimum of time.

Sand casting: Feeding molten metal into a sand mould by gravity.

Steel or aluminum cold rollforming: Passing coiled sheets of steel or aluminum through a series of roller dies that form the metal into sections of various shapes and sizes for use in construction products and general manufacturing.

The Board of Directors

Derek Edwards
Chairman,
R.T.Z. Pillar Limited,
London, England

Elected a Director in 1973

Mr. Edwards is also a Director of The RTZ Corporation PLC, Bridon plc and TI Group plc in the United Kingdom.

David L. Farnsworth
Executive Vice-President,
Manufacturing Operations,
Indal Limited,
Toronto

Elected a Director in 1987

Joined Indal in 1981. Has served as Vice-President, Corporate Development (1986-87); and Executive Vice-President, Manufacturing Operations (since 1987).

Michael M. Freeman
Finance Director,
R.T.Z. Pillar Limited,
London, England

Elected a Director in 1982

James R. Hewell, Jr.
Chairman and Chief Executive Officer,
Peachtree Doors, Inc.,
Norcross, Georgia

Elected a Director in 1978 when Peachtree Doors, Inc., the company which he founded in 1959, became a member of the Indal group.

Mr. Hewell is also a Director of First Security National Bank, in Norcross, Georgia.

Leo P. Larkin, Jr.
Partner,
Rogers & Wells,
Attorneys,
New York

Elected a Director in 1979

J. Ross LeMesurier
Company Director,
Toronto

Elected a Director in 1966

Mr. LeMesurier is also a Director of Cantel Inc., Great Lakes Forest Products Limited and Telemedia Inc.

Lt. General (Ret'd)
G. Allan MacKenzie
CMM; O St J; CD
Executive Vice-President and
Chief Operating Officer,
Gendis Inc.,
Winnipeg

Elected a Director in 1981

Mr. MacKenzie is also a Director of Gendis Inc. and Sony of Canada Ltd.

J. Norman McKnight
President and Chief Executive Officer,
Indal Limited,
Toronto

Elected a Director in 1983

Joined Indal when his former company, McKnight Window Industries Limited, became a member of the Indal group in 1971. Has served as Divisional Vice-President (1976-78); Executive Vice-President, Canadian Operations (1978-83); President and Chief Operating Officer (1983-86); and President and Chief Executive Officer (since 1987).

Mr. McKnight is also a Director of R.T.Z. Pillar Limited, in the United Kingdom.

George H. Montague
Vice-President,
Consolidated Talcop Limited,
Toronto

Elected a Director in 1970

Mr. Montague is also a Director of Consolidated Talcop Limited.

J. Derek Riley
Chairman,
Northern Stores Inc.,
Winnipeg

Elected a Director in 1973

Mr. Riley is also a Director of Federal Industries Ltd., Inter-City Gas Corporation, North Portage Development Corporation, United Canadian Shares Limited and The White Pass and Yukon Corporation Ltd.

Alastair H. Ross
President,
Allaro Resources Ltd.,
Calgary

Elected a Director in 1981

Mr. Ross is Chairman of Commercial Union of Canada Holdings Ltd. and a Director of a number of other companies, including R. Angus (Alberta) Ltd., Bell Canada Enterprises Inc., Cana Construction Limited, Canadian Investment Fund, Ltd., Corexcana Ltd., Monenco Limited, National Westminster Bank of Canada, and Phillips Petroleum Canada Ltd.

Simon B. Scott, Q.C.
Partner,
Borden & Elliot,
Barristers and Solicitors,
Toronto

Elected a Director in 1980

Peter G. Selley
Executive Vice-President, Finance and Administration,
Indal Limited,
Toronto

Elected a Director in 1973

Joined Indal in 1966. Has served as Vice-President, Finance (1973-81); Senior Vice-President, Finance (1981-86); and Executive Vice-President, Finance and Administration (since 1987).

Walter E. Stracey
Chairman,
Indal Limited,
Toronto

Elected a Director in 1965

Joined Indal in 1964 when Westland Metals Ltd., the company which he founded in 1961, became a founder member of the Indal group. Has served as Executive Vice-President (1964-67); President (1967-73); Chairman (since 1973); and Chief Executive Officer (1967-78 and 1983-86).

Mr. Stracey is also a Director of Acklands Limited, Haley Industries Limited and National Westminster Bank of Canada, and of R.T.Z. Pillar Limited, in the United Kingdom.

Corporate directory

Directors

- Derek Edwards
*Chairman,
R.T.Z. Pillar Limited*
David L. Farnsworth
*Executive Vice-President,
Manufacturing Operations,
Inulal Limited*
Michael M. Freeman
*Finance Director,
R.T.Z. Pillar Limited*
James R. Hewell, Jr.
*Chairman and Chief Executive Officer,
Peachtree Doors, Inc.*
Leo P. Larkin, Jr.
*Partner,
Rogers & Wells,
Attorneys*
- J. Ross LeMesurier
Company Director
G. Allan MacKenzie
*Executive Vice-President
and Chief Operating Officer,
Gendis Inc.*
- J. Norman McKnight
*President and Chief Executive Officer,
Inulal Limited*
George H. Montague
*Vice-President,
Consolidated Talcop Limited*
- ▲● J. Derek Riley
*Chairman,
Northern Stores Inc.*
- ▲ Alastair H. Ross
*President,
Allaro Resources Ltd.*
- ▲● Simon B. Scott, Q.C.
*Partner,
Borden & Elliot,
Barristers and Solicitors*
Peter G. Selley
*Executive Vice-President,
Finance and Administration,
Inulal Limited*
- Walter E. Stracey
*Chairman,
Inulal Limited*

Officers and Senior Corporate Management

- Walter E. Stracey
Chairman
- J. Norman McKnight
President and Chief Executive Officer
- Peter G. Selley
*Executive Vice-President,
Finance and Administration*
- David L. Farnsworth
*Executive Vice-President,
Manufacturing Operations*
S. Glen Abray
*Divisional Vice-President,
North American Residential
and Consumer*
Andrew C. Deruchie
*Manager,
Audit and Financial Analysis*
- John D. Hillery
*Vice-President,
Investments and Assistant Secretary*
Vincent J. Howcroft
Vice-President, Corporate Affairs
Richard J. Lasiuk
Manager, Employee Benefits
William J. MacDonald
*Divisional Vice-President,
North American Extrusions
and Recycling*
W. Lyle Muir
Vice-President, Risk Management
- Dennis C. Nolan
*Associate Corporate Counsel
and Assistant Secretary*
- Peter Suurtamm
*Vice-President,
Management Information Systems*
A. M. Gordon Turnbull
Vice-President, Treasurer
Allan G. Wakefield
*Divisional Vice-President,
North American Non-residential
and Glass*
J. David Wood
Controller
Peter E. Wyatt
*Vice-President,
Corporate Development*
- Peter J. Young
*Vice-President, Corporate Counsel
and Secretary*

Auditors

Coopers & Lybrand, Toronto

Principal Bankers

The Toronto-Dominion Bank
Canadian Imperial Bank of
Commerce

General Counsel

Borden & Elliot, Toronto
Rogers & Wells, New York

Corporate Office

4000 Weston Road
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Telecopier (416) 746-1311
Telex 065-27290

- Member of the Executive Committee
- ▲ Member of the Audit Committee
- Officer

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Photography: Gabe Palmer, except
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Shareholder information

The Company

The Company was incorporated under the laws of Canada on October 9, 1964.

Capital stock

At December 31, 1987 the issued capital stock of the Company comprised 49,008,000 fully paid common shares.

Listing of stock

The common shares of the Company were listed on the Toronto and Montreal stock exchanges on March 24, 1969. The shares are listed on these exchanges under the stock symbol "ICL".

Transfer agents and registrars

The transfer agents and registrars for the common shares of the Company are The Royal Trust Company at its offices in Toronto, Montreal, Winnipeg, Calgary, Regina and Vancouver.

Principal issues of common shares

The principal issues of common shares since listing in 1969 have been as follows:

Year		Issue price	Thousands of shares
1969	Public issue	\$15.00	150
1972	Rights issue: 1 for 2	9.75	479
1974	Rights issue: 1 for 3	10.50	539
1975	Rights issue: 1 for 3	9.25	752
1977	Stock split: 2 for 1		3,046
1978	Public issue	12.75	3,000
1983	Private placement	16.50	950
1983	Stock split: 2 for 1		10,632
1984	Private placement	10.65	3,000
1986	Stock split: 2 for 1		24,471

Trading of stock

The following table sets out the high and low prices of the Company's common shares on The Toronto Stock Exchange and the number of shares traded on the Toronto and Montreal stock exchanges over the past five years:

Year	High	Low	Thousands of shares
1983	\$ 6 ¹³ / ₁₆	\$3 ⁷ / ₈	6,250
1984	6 ⁷ / ₈	5	4,348
1985	9 ¹¹ / ₁₆	5 ¹ / ₂	5,386
1986	18 ¹ / ₄	9 ¹ / ₄	6,743
1987	16 ³ / ₈	7 ¹ / ₂	6,942

The figures in the above table have been adjusted to reflect stock splits.

Investment data

The following table sets out the averages of the high and low prices of the Company's common shares on The Toronto Stock Exchange, the dividends paid per share and the average dividend yields based on these average share prices:

Year	Average share price	Dividends paid	Dividend yield
1969	\$2.01	\$0.02 ¹ / ₂	1.2 %
1970	1.08	0.02 ¹ / ₂	2.3
1971	1.10	0.02 ¹ / ₂	2.3
1972	1.63	0.03 ³ / ₄	2.3
1973	1.56	0.07 ¹ / ₂	4.8
1974	1.35	0.09 ³ / ₄	7.3
1975	1.37	0.11 ¹ / ₄	8.2
1976	1.65	0.11 ¹ / ₂	7.0
1977	2.11	0.12 ³ / ₈	5.9
1978	3.16	0.14	4.4
1979	3.39	0.17 ¹ / ₂	5.2
1980	3.72	0.20	5.4
1981	3.88	0.20	5.2
1982	3.13	0.11 ¹ / ₄	3.6
1983	5.35	0.12 ¹ / ₂	2.3
1984	5.94	0.27 ¹ / ₂	4.6
1985	7.60	0.30	3.9
1986	13.75	0.40	2.9
1987	11.94	0.40	3.4

The figures in the above table have been adjusted to reflect stock splits.

Financial calendar

Financial year end:	December 31
Quarterly results:	late April, July and October
Quarterly reports:	late April, July and October
Annual results:	mid February
Annual Report:	early April
Annual meeting:	early May
Dividend payments:	mid March, June, September and December

Annual and Quarterly Reports

Annual and Quarterly Reports may be obtained from Indal Limited, 4000 Weston Road, Weston, Ontario M9L 2W8. Telephone (416) 743-1400

1988 Annual Meeting

The 1988 annual meeting of the shareholders will be held on May 5, 1988 at 4:00 p.m. in the Territories Room of The Royal York Hotel, 100 Front Street West, Toronto, Ontario.

